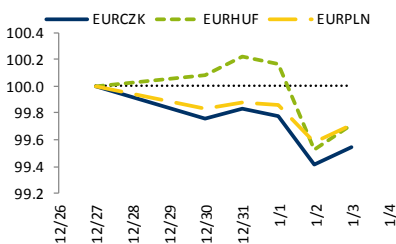




Central Europe
Friday

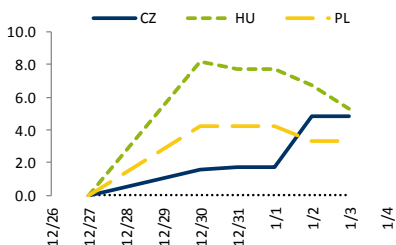
Friday, 03 January 2020

Forex markets (index)



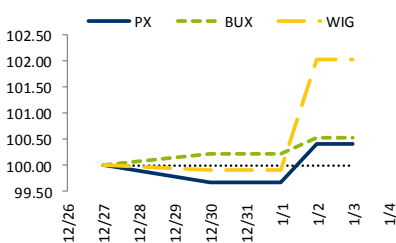
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.36	25.32	0.13
EURHUF	329.6	329.0	0.18
EURPLN	4.249	4.244	0.13

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.600	1.600	0.0
HUGB 10Y	1.99	2.01	-0.7
PLGB 10Y	2.10	2.10	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1123.9	1123.9	0.00
BUX	46230	46230	0.00
WIG	59048	59048	0.00

Regional insights

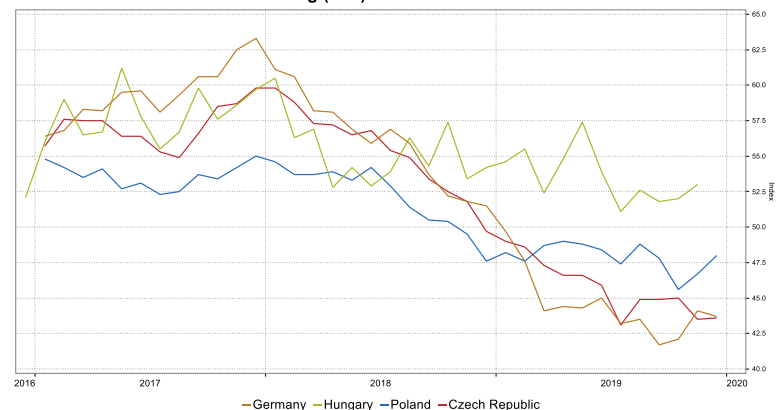
CE currencies have started 2020 on strong footing

All Central European currencies started 2020 on a strong footing and further extended their gains from the end of last year. Specifically, while the Polish zloty hits six-month highs, the Czech koruna has appreciated to the strongest level (against the euro) since April 2018.

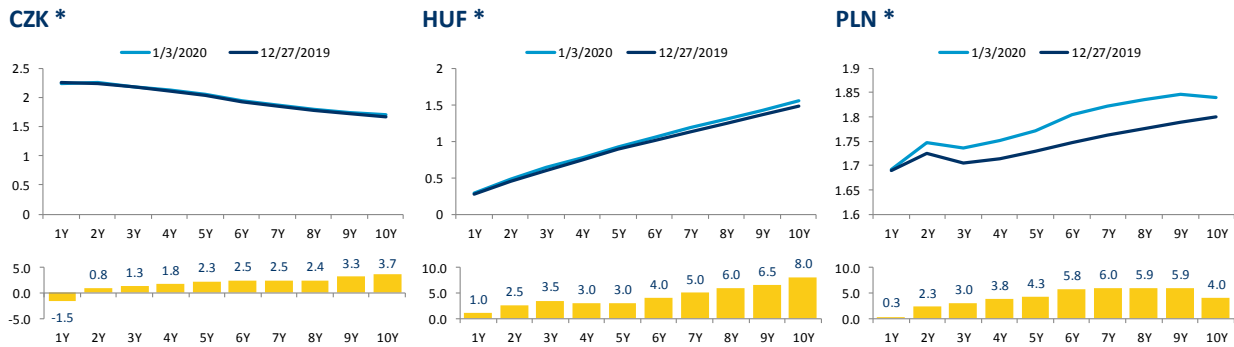
Besides the overall bullish sentiment on risk-asset markets, the favourable macroeconomic data also played a role in the case of the Polish zloty and the Hungarian forint. This is because the indexes of business sentiments in the Hungarian and Polish industries improved significantly when the Hungarian PMI index increased from 53.1 points in November to 53.9 points in December and the Polish PMI increased from 46.7 to 48 points. It therefore seems that, contrary to the Czech industry where the slowdown has probably not reached the lowest levels yet, Polish industry has already hit bottom and the entry into the New Year could bring a faster pace of industrial production growth once again. This conclusion is reinforced by the fact that the sub-index of new orders has been significantly growing within the PMI index.

As concerns CZK's gains these are rather dominated by a relatively wide interest rate differential between the CZK and euro rates. It is not excluded that the differential might actually widen this year as the latest CNB Minutes have revealed today. Recall that two Bank Board members (out of seven) voted for a rate hike in December, while the released Minutes show that 'it was said repeatedly that the risk of significantly adverse scenarios for the global economy – such as a disorderly Brexit or an escalation of protectionist measures in international trade – was falling. According to some of the board members, foreign leading indicators were suggesting that the euro area cycle was now close to its trough and the likelihood of a further slowdown was low'.

Business Sentiment in Manufacturing (PMI)



Interest-rate Swap Curves



* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points (against previous Friday).

Calendar

Country	Date	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	01/03	14:00	Budget balance	CZK B								-38.6

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