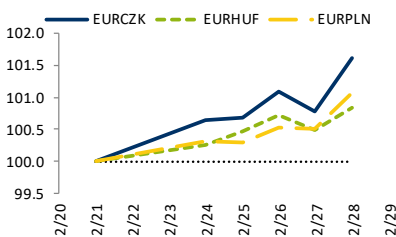




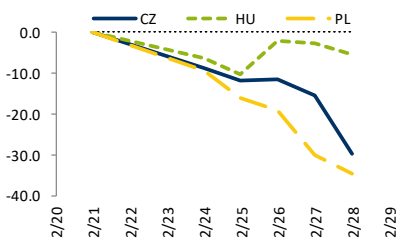
Friday, 28 February 2020

Forex markets (index)



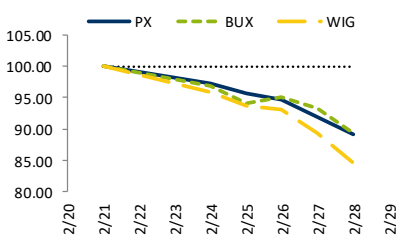
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.47	25.26	0.82
EURHUF	339.9	338.7	0.35
EURPLN	4.336	4.313	0.54

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.178	1.321	-14.3
HUGB 10Y	2.16	2.18	-1.2
PLGB 10Y	1.71	1.75	-2.7

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	971.7	1002.2	-3.05
BUX	40880	42679	-4.22
WIG	48562	51319	-5.37

Regional insights

The koruna eases as coronavirus spreads in Europe

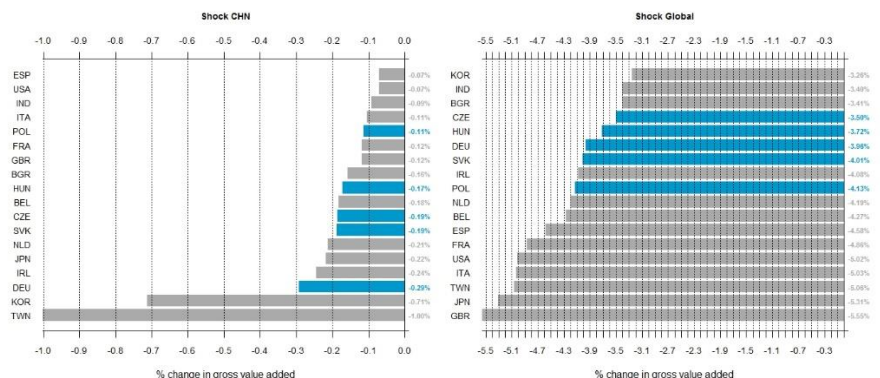
Although there is no single case of coronavirus infection in the Czech Republic, the koruna has continued to depreciate in line with other emerging market currencies. The Czech forex market might fear that the extremely open Czech economy might be badly hit both by a fall in global demand and supply chain disruptions.

So - at this moment, however, it is highly speculative to estimate the impacts of the spread of the coronavirus on the Czech economy. It is possible to make only raw model simulations of the areas that could experience a decline in demand or be affected by the deceleration of the movement of goods and fall in demand for services. Actually, we have tried to make this exercise based on global input-output tables and the Czech economy does not seem to be the weakest point in comparison with its regional peers (see the chart below).

In the first case, the sectors and sub-sectors that would be affected in the Czech Republic include transport (in particular air transport) and the manufacturing industry (the manufacture of electrical equipment, metals, paper, plastics, and metal products).

If the coronavirus hits worldwide, the real estate sector, retail, wholesale, advertising, financial services and other sectors would have to expect possible consequences. For the time being, the signals sent out from the business sphere suggest that the potentially most critical problem is the delay in supplies of some Chinese components for domestic production and selected consumables for the retail sector.

It cannot be ruled out – also in connection with the German economy – that in the near future some subcontracted deliveries in the automotive industry may be tight and exports of components to China may slow down. Still, the market should know for example that the Czech Republic is a net importer in relation to China and with only minimal exports to this country.



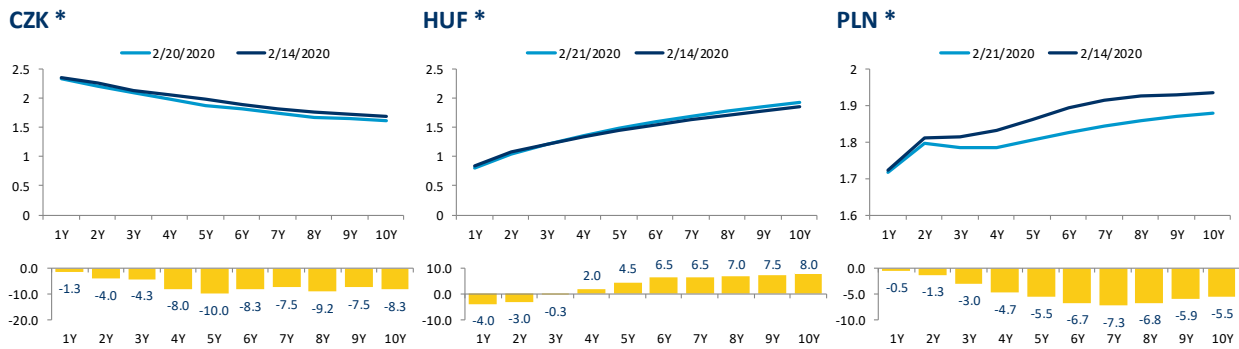
Memo to our modelling of shocks in input-output tables:

Shock CHN: Shock defined as fall in Chinese demand for selected services (see below) by 20% and fall in Chinese demand for the goods and services from other sectors by 10%

Shock Global: Shock defined as fall in Global demand for selected services (see below) by 20% and fall in Chinese demand for the goods and services from other sectors by 10%.

Services (of selected) sectors involved in our shock: Wholesale retail, Wholesale ex motor, Retail ex motor, Land transport, Water transport, Air transport, Warehousing, Postal services, Accommodation & food.

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	
PL	02/21	10:00	Retail sales	%	01/01/2020					-20	6.1	14.6	7.5

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