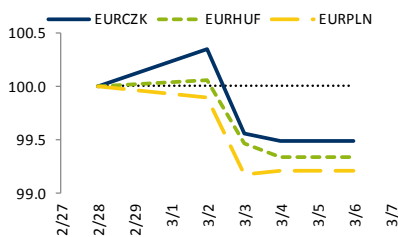




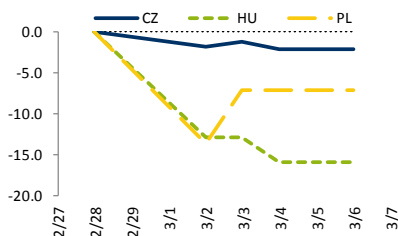
Friday, 06 March 2020

Forex markets (index)



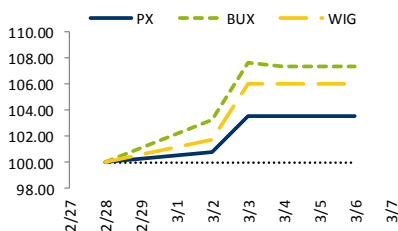
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.34	25.34	0.00
EURHUF	335.6	335.6	0.00
EURPLN	4.300	4.300	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.154	1.154	0.0
HUGB 10Y	2.01	2.01	0.0
PLGB 10Y	1.71	1.71	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1011.5	1011.5	0.00
BUX	43194	43194	0.00
WIG	52231	52231	0.00

Regional insights

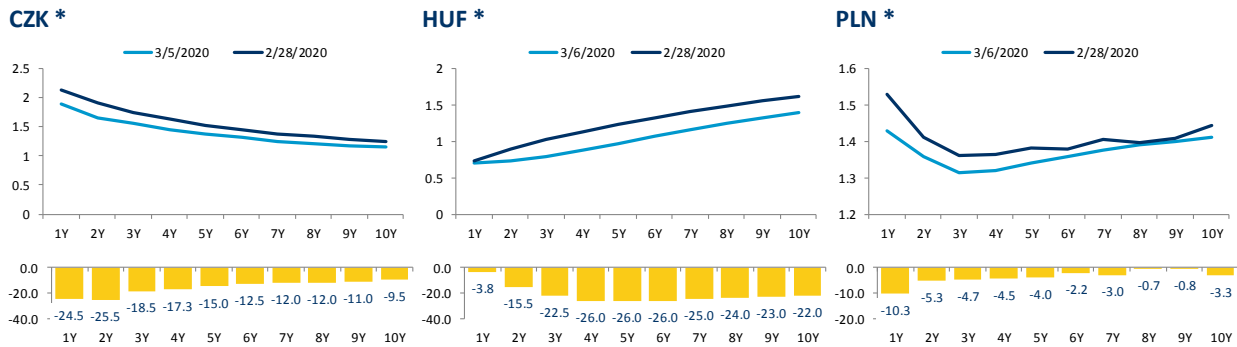
Instead of high inflation the CNB and the NBP are now facing slowdown triggered by coronavirus

With the new cases of coronavirus infection emerging in the Czech Republic (12 confirmed cases) and most recently also in Poland (6 cases) and with the central banks of G7 promptly easing monetary policy, the question arises how the CNB or the NBP will respond.

As regards the Polish central bank, it has been facing higher inflation, however, is clearly aware that the economy will slow down in the upcoming quarters and the inflationary pressures will cease as a result. It is thus not surprising that the NBP Governor Glapiński reiterated after the meeting on Wednesday that, in his opinion, the interest rates would stay flat throughout 2022. Nevertheless, he added to this that the NBP would not follow the ECB if the latter decreased interest rates due to the infection. Before the infection outbreak, we had been estimating that the high inflation would push the NBP to increasing the official interest rates. However, this scenario is irrelevant at the moment and the rates will presumably stay unchanged for the whole year (and probably even longer). This will be the case probably also in the situation when the central banks of G7 would continue decreasing the rates also in the second quarter of the year.

As regards the Czech national bank, it is the only central bank that has found the courage to increase interest rates this year. As is apparent from the latest statement made by member of the CNB Bank Board Mora, despite the virus spreading in the Czech Republic and the surrounding countries (in particular in Germany), the hawkish stance has not abandoned the central bank yet, and this is the reason why we consider it unlikely that the CNB would cut interest rates promptly already in March. **Nevertheless, if the infection does not recede fast, the cutting of the CNB repo rate to the original level from the beginning of the year (2.0%) is a realistic scenario, which will reflect the obviously slowing of the Czech economy and inflation.**

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	03/06	9:00	Real wages	%	4Q/2019			3.6		3.4		4
HU	03/06	9:00	Industrial output	%	01/01/2020		4.6	2.7		-0.9	-3.8	-3.7

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