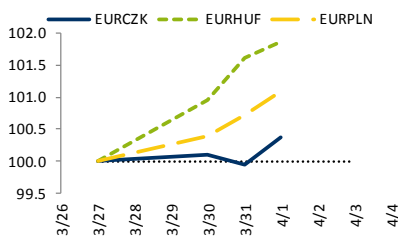




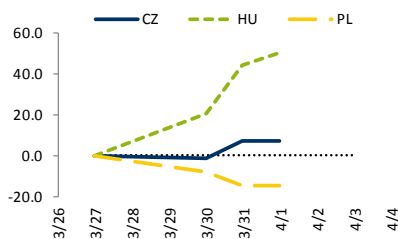
Wednesday, 01 April 2020

## Forex markets (index)



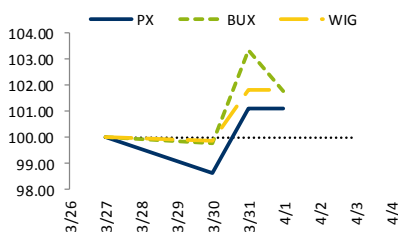
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.46	27.34	0.42
EURHUF	362.4	361.5	0.24
EURPLN	4.577	4.560	0.38

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.347	1.347	0.0
HUGB 10Y	2.77	2.71	2.3
PLGB 10Y	1.65	1.65	0.0

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	789.9	789.9	0.00
BUX	32633	33135	-1.52
WIG	41625	41625	0.00

## Our regional insights:

## The CZK finds some ground, but the worst macro still has to come

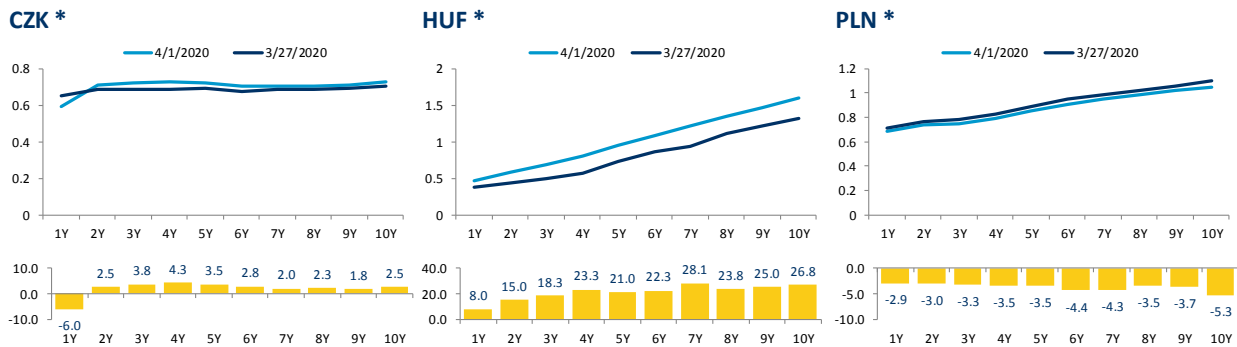
Contrary to ongoing sell-off, which have been facing the Hungarian forint and the Polish zloty, the Czech koruna has stabilized somewhat over the last week – even regardless of the more pronounced CNB's rate cut. The most helpful signals for the Czech currency were a number of extraordinary budgetary and monetary stimuli across core-market economies plus comments from Czech central bankers that they could use huge FX reserves to help to stabilize the currency.

However, the upcoming period may not be necessarily easy for the Czech koruna. First, new economic stimuli will not increase in number any more and their short-term positive incentive to markets may become depleted quickly. Secondly, the economic policy measures are failing to set the economy in motion at the moment. They can only cushion the worst economic contagion initiated by quarantine measures. Third, regional currency PEER's have been under selling pressure from their domestic reasons (the forint because of domestic politics and the zloty because of the NBP aggressive QE) and that may bring further contagion to the Czech Forex market. And last but not least, really bad figures will gradually start coming from both the global and domestic economies. An example of this may be the Purchasing Managers' Index (PMI) for March published today. Recall that the Czech PMI in manufacturing slipped to 41.3 points in March, which implies the worst sentiment in the industrial sector since May 2009. However, the actual PMI figure is still a way above those recorded during the financial crises in 2008/2009. At that time the PMI index dropped to the 30 points territory. In other words, the Czech PMI index has still room to drop significantly lower in April and we might have not seen the worst figure yet.

Nevertheless, besides the PMI, a matter of particular interest will be the results from the March labour market. Here, it will be crucial to monitor how fast the number of job vacancies at employment offices will slump rather than keep track of the numbers of unemployed.

Should the Czech koruna come under pressure once again, the question is when the Czech central bank will wish to appear in the market with its foreign exchange reserves assets. However, according to the previous statements made by Governor Rusnok, the CNB would postpone the dissolving of foreign exchange reserves until the Czech koruna depreciated more substantially. For the time being, not even 28.00 EUR/CZK is likely to be the level of the Czech koruna that is weak enough for foreign exchange interventions to be made for the benefit of the Czech currency.

## 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
HU	04/01	9:00	PMI manufacturing	03/01/2020			29.1		47		50.1	
PL	04/01	9:00	PMI manufacturing	03/01/2020			42.4		45.1		48.2	
HU	04/01	9:00	Trade balance	EUR M 01/2020 *F			423				433	
CZ	04/01	9:30	PMI manufacturing	03/01/2020			41.3		41.8		46.5	
CZ	04/01	12:00	CZ bond auction 2010-2021, 3.85%	CZK B 04/01/2020					5			
CZ	04/01	12:00	CZ bond auction 2011-2023, floating rate	CZK B 04/01/2020					3			
CZ	04/01	12:00	CZ bond auction 2020-2025, 1.25%	CZK B 04/01/2020					4			
CZ	04/01	14:00	Budget balance	CZK B 03/01/2020							-27.4	
HU	04/03	9:00	Retail sales	% 02/01/2020					6.3		7.6	

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