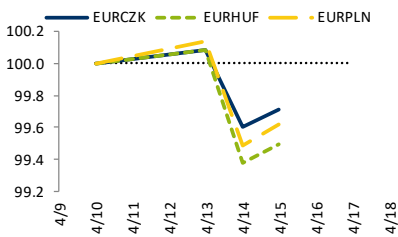




Central Europe
Wednesday

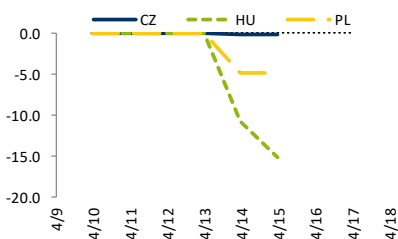
Wednesday, 15 April 2020

Forex markets (index)



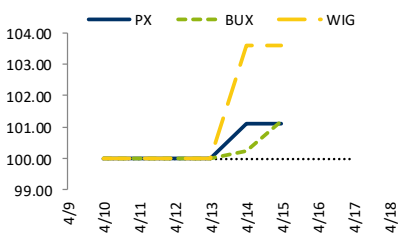
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.88	26.85	0.10
EURHUF	351.7	351.3	0.12
EURPLN	4.538	4.533	0.13

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.324	1.324	0.0
HUGB 10Y	2.49	2.53	-1.7
PLGB 10Y	1.40	1.40	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	849.4	849.4	0.00
BUX	34165	33849	0.93
WIG	46092	46092	0.00

Our regional insights:

The Czech inflation is already heading down

The Czech inflation rate for March has not registered the start of the coronacrisis yet, nonetheless it has slightly decreased due to fast reductions in fuel prices. Hence, the year-on-year inflation figure is decreasing from the previous 3.7% to 3.4% and is getting closer to the inflation target of the CNB.

Although headline inflation dropped, some prices of significant items in the basket of goods went up quickly once again. Food in particular is an example as their prices grew by 6.4% year-on-year. Food even replaced housing as the most important inflation factor so far. The reason is certainly not because housing is any cheaper as housing itself adds one percentage point to inflation.

To the contrary, the expected upside effects regarding tobacco products can be seen in inflation due to the high level of stock. Hence, we have to take it into account for the upcoming months. However, because of the continuous fuel price reductions not even taxes on tobacco products will prevent inflation from falling fast.

In June, inflation may be already deep below 3% YoY, and towards the end of the year even below 2% YoY. The question is how fast the lower rents in Prague, the prices of package holidays that may not be realized at all, or for example the prices in the stores and other services the activities of which have been suspended will start being reflected in it.

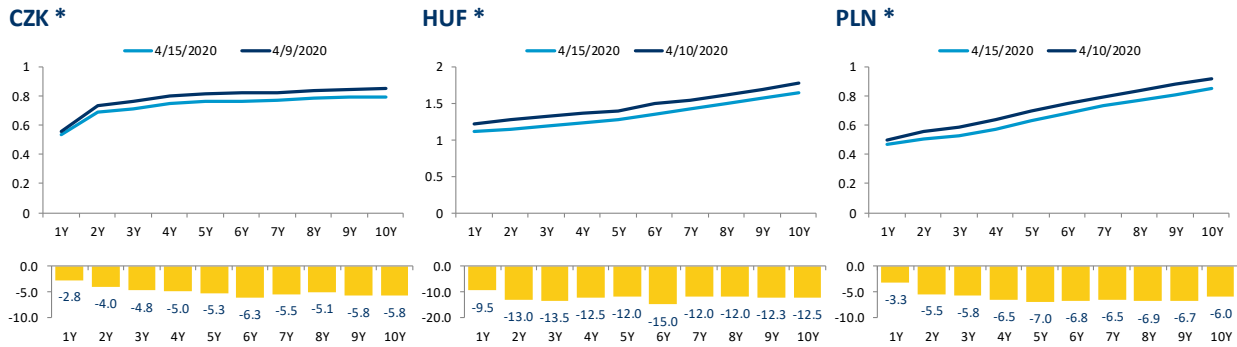
Although inflation is still relatively high, it is an old figure, hence the relevance of which is not too high. From the point of view of the monetary policy it is the forecast that is relevant, and it now shows fast weakening of inflationary pressures nearly across the whole Czech economy. This is another reason why the CNB could make another significant cut of its policy rate at its next meeting (in May).

CZ: Inflation



Source: Refinitiv Datastream / Fathom Consulting

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	04/15	10:00	CPI	% 03/2020 *F			0.2	4.6	0	4.4	0.7	4.7
CZ	04/15	12:00	CZ bond auction 2020-2022, x.xx%	CZK B 04/01/2020					5			
CZ	04/15	12:00	CZ bond auction 2014-2027, floating rate	CZK B 04/01/2020					3			
CZ	04/15	12:00	CZ bond auction 2020-2031, 1.20%	CZK B 04/01/2020					3.0			
PL	04/16	14:00	Core CPI	% 03/01/2020					0.2	3.4	0.6	3.6

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