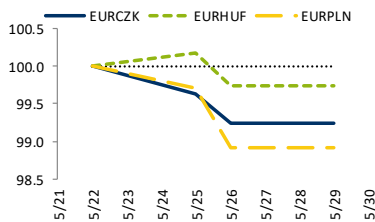




Central Europe
Friday

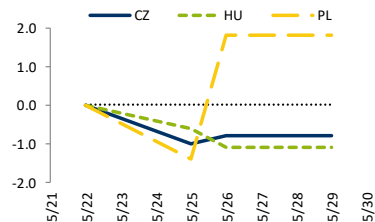
Friday, 29 May 2020

Forex markets (index)



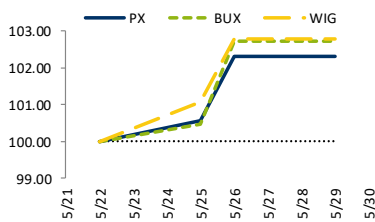
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.11	27.11	0.00
EURHUF	349.6	349.6	0.00
EURPLN	4.468	4.468	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.792	0.792	0.0
HUGB 10Y	1.97	1.97	0.0
PLGB 10Y	1.44	1.44	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	897.3	897.3	0.00
BUX	35999	35999	0.00
WIG	47191	47191	0.00

Regional insights

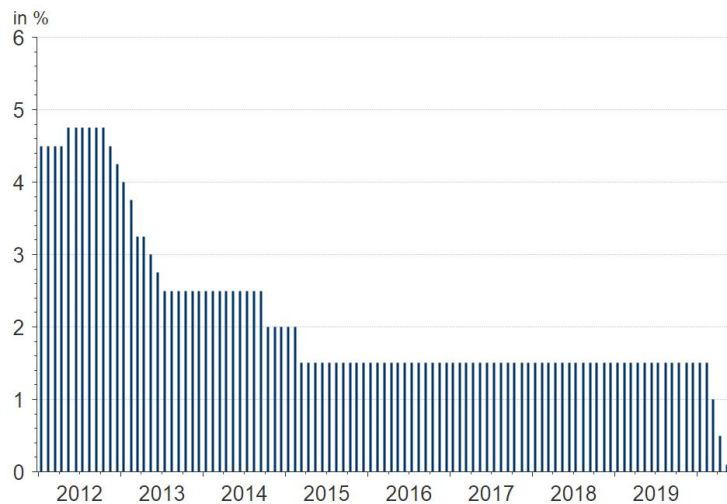
NBP's rates hit zero-lower bound

For the third time in a row, the Polish Central Bank surprised everybody with an unexpected rate cut in official rates. Hence the NBP lower official rates by 40 bps yesterday, bringing the main reference rate to the level of 0.10%. Considering the massive purchases of government bonds that the NBP has already been making for several weeks (it has bought bonds worth of PLN 85.6bn), the Polish Central Bank apparently belongs among those monetary institutions whose response to the corona crisis is the most aggressive.

The NBP explained another reduction of interest rates partly as being down to the risk that inflation will come under inflation target on the monetary policy horizon and partly due to the need to mitigate the effects of the pandemic by lowering interest costs for borrowers. Actually, the recent inflation figures from May, which has been released this morning, just confirms NBP's view that the inflation should come down further. Recall that the headline inflation declined by 0.2% MoM in May, which implies that the year-on-year inflation slows to 2.9%.

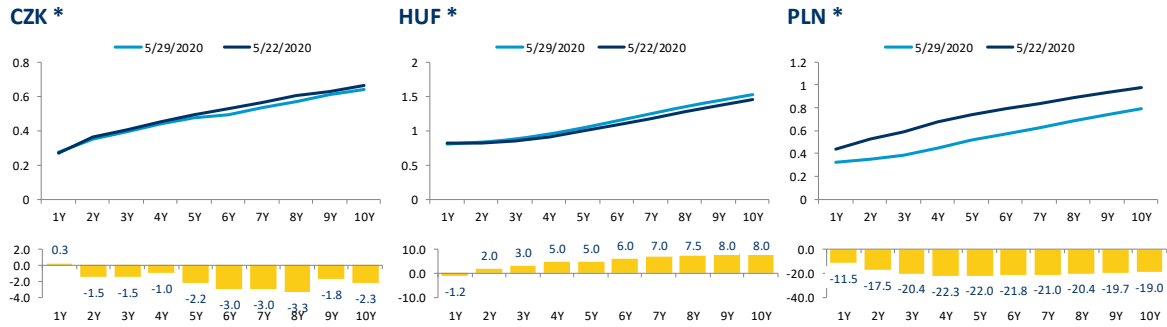
For the time being, the Polish zloty has been bearing it bravely, despite the fact that the Polish official interest rates were the lowest in the Central European region. Although we think that the NBP has finished its rate-cutting cycle, with rates effectively at zero the zloty appears in a vulnerable position, in particular when the risk aversion increases and the currencies in the emerging markets will face sell-offs.

NBP base interest rate



Source: Refinitiv Datastream/Polish 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
HU	05/29	9:00	GDP	% 1Q/2020 *F			-0.4	2.2	-0.4	2.2	-0.4	2.2
PL	05/29	10:00	GDP	% 1Q/2020 *F			-0.4	2.0			-0.5	1.9
CZ	05/29	10:00	Money supply M2	% 04/01/2020				9.3				9.9
PL	05/29	10:00	CPI	% 05/2020 *P			-0.2	2.9	-0.1	3.0	-0.1	3.4

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