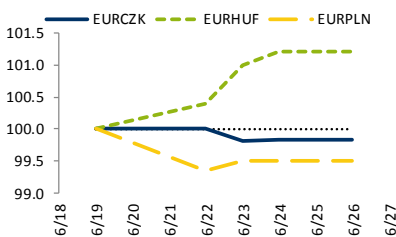




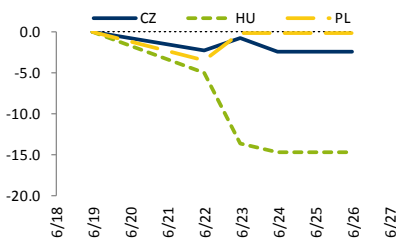
Friday, 26 June 2020

**Forex markets (index)**



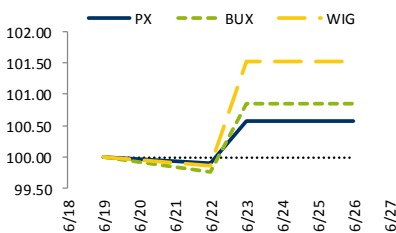
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.62	26.62	0.00
EURHUF	350.0	350.0	0.00
EURPLN	4.445	4.445	0.00

**Gov. bonds 10 Y (bps change)**



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.773	0.773	0.0
HUGB 10Y	2.10	2.10	0.0
PLGB 10Y	1.38	1.38	0.0

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	933.3	933.3	0.00
BUX	37596	37596	0.00
WIG	51438	51438	0.00

**Regional insights**

**The CNB is not preparing to introduce unconventional policy yet**

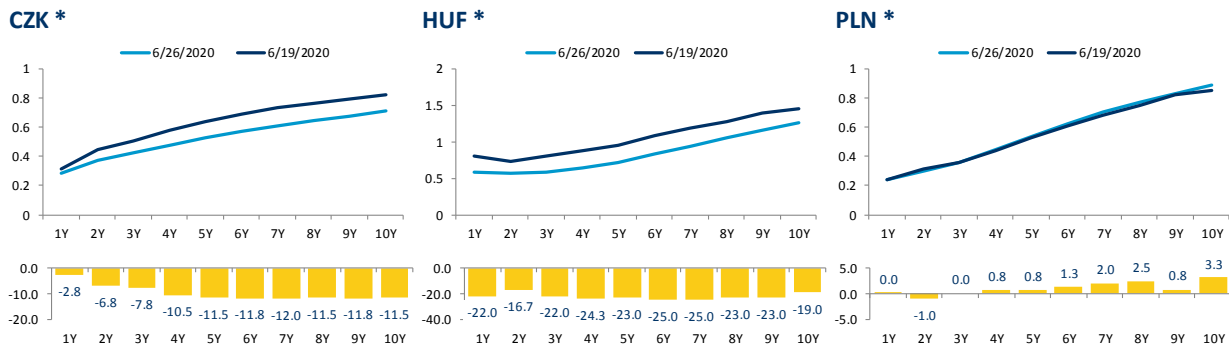
As expected, yesterday's meeting of the CNB's Bank Board did not bring any change in interest rates and, in fact, no news in the area of unconventional monetary policy either. In fact, the CNB is satisfied with the fulfilment of its forecast and considers its share of work to be done now. Not only has it cut its rates by 200 basis points this year, but it has also introduced instruments to support the financial sector's liquidity, relaxed its mortgage rules, and significantly reduced the banks' countercyclical capital reserves.

So far, the economic developments have not deviated significantly from the CNB's baseline scenario; only the inflation slightly exceeds expectations, as has the pace of wages and unemployment rate in the first quarter. That itself is not enough for the so-called unfavourable scenario anticipating the CNB's activist policy to come into play. At a press conference, the governor even strongly relativized the possibilities of introducing unconventional measures, stating that the debate about them remains hypothetical, and that they may not be needed at all. Especially when the central bank reaches its goals - price and financial stability - using its standard tools.

The CNB is not (yet) preparing for the exchange rate regime, negative rates, interest rate curve management, or quantitative easing. As the result of the voting or subsequent comment of the head of the central bank have indicated, even a key interest rate cut to zero is not considered.

The situation will be clearer in August, when there will be more information on the economic development in the critical second quarter, and when the Bank Board will have its already third forecast on the table this year, including alternative scenarios. However, the probability of another reduction in rates, as well as the introduction of non-conventional measures, seems to be very low at this time. Especially when more promising data is finally coming from abroad - albeit only soft data, such as Wednesday's Ifo, which has improved significantly, mainly due to the positive expectations of German companies, or the Eurozone purchasing managers' indices published already on Tuesday. Still, it should be noted that these positive expectations might be completely changed by a renewed pandemic wave. It would probably no longer result in shutting down the economies as in the spring; however, it would undoubtedly bring significant economic losses and revised negative outlooks.

## 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

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