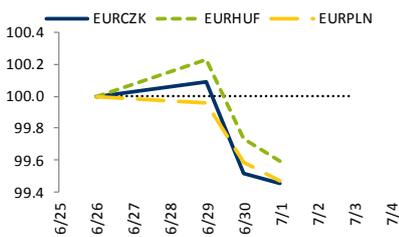




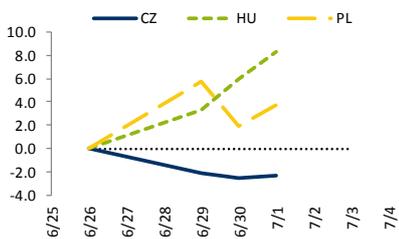
Wednesday, 01 July 2020

**Forex markets (index)**



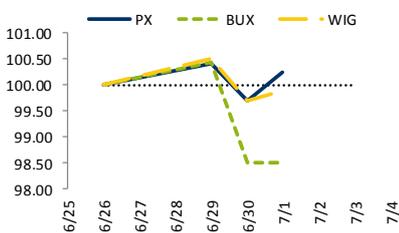
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.63	26.65	-0.06
EURHUF	353.8	354.3	-0.14
EURPLN	4,441	4,446	-0.12

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



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.753	0.751	0.2
HUGB 10Y	2.17	2.15	1.1
PLGB 10Y	1.39	1.37	1.3

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	923.0	918.0	0.55
BUX	35818	35818	0.00
WIG	49668	49569	0.20

**Our regional insights:**

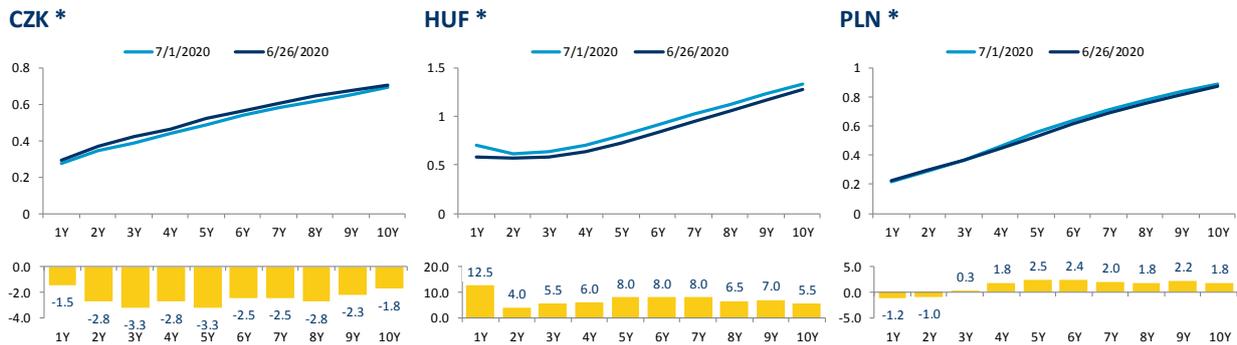
**Renewed outbreak of pandemic stifles demand and could cause major problems to car manufacturers**

New cases of coronavirus surge again - global daily increases fluctuate around 160,000 and the total number of those infected by coronavirus has exceeded 10 million. Although the numbers in the Czech Republic have also gone up in recent weeks, the EU looks relatively calm if compared globally. Daily increases of infected patients in Germany, France, Italy and Spain range between 100-300 new cases (2-4 cases per 1 million population). That is a huge difference compared to California, Florida, or Texas, where the daily increases reach 5-7 thousand new cases (200-250 per 1 million population).

But uncertainty related to further spread of coronavirus indisputably impacts European companies and households. Lots of companies are surviving thanks to temporary "infusions" of Kurzarbeit, bridge loans and deferral of loan payments. The idea that the pandemic will not come to an end in the second half of the year is terrifying for their business. The autumn then could mean "postponed" layoffs and growth of problematic loans in many countries, including the CEE region. For this reason, the uncertainty also makes many companies postpone investments and accumulate cash as "security". And weaker demand then only makes the situation even worse...

The negative impact of uncertainty on demand primarily threatens slightly different industries than the first wave of pandemic. While the quarantine and closures mainly affected retail, hospitality, the hotel sector or real estate, sluggish demand is set to suppress the most cyclical sectors, such as building, engineering, metal manufacturing and, of course, the industry that is key for the CEE region, car manufacturing. Companies' investments in renewal of vehicle fleets will, in particular, be curbed in 2020. In the Czech Republic, the sales of new cars have dropped by 30% yoy since the start of the year, and with subdued new orders, we do not seem to see a light at the end of the tunnel. Therefore, it will be of a huge importance how European economies will manage to kick-start demand, in particular for automobiles.

## 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	07/01	9:00	PMI manufacturing	06/01/2020			47		46		40.3	
PL	07/01	9:00	PMI manufacturing	06/01/2020			47.2		46.1		40.6	
CZ	07/01	9:30	PMI manufacturing	06/01/2020			44.9		45		39.6	
CZ	07/01	14:00	Budget balance	CZK B 06/01/2020							-157.40	
HU	07/02	9:00	Trade balance	EUR M 04/2020 *F							-611	

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