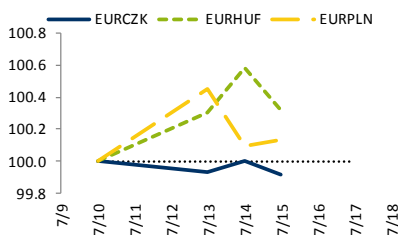




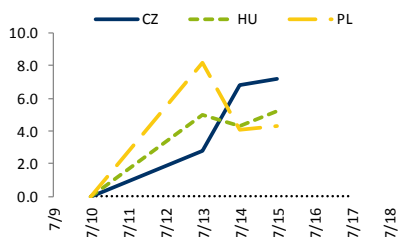
Wednesday, 15 July 2020

## Forex markets (index)



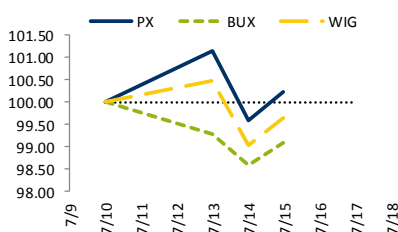
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.64	26.66	-0.08
EURHUF	354.4	355.3	-0.26
EURPLN	4,474	4,472	0.04

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.834	0.830	0.4
HUGB 10Y	2.36	2.35	0.4
PLGB 10Y	1.36	1.36	0.1

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	944.0	937.8	0.65
BUX	35263	35092	0.49
WIG	50753	50443	0.61

## Our regional insights:

## Political and monetary status quo in Poland

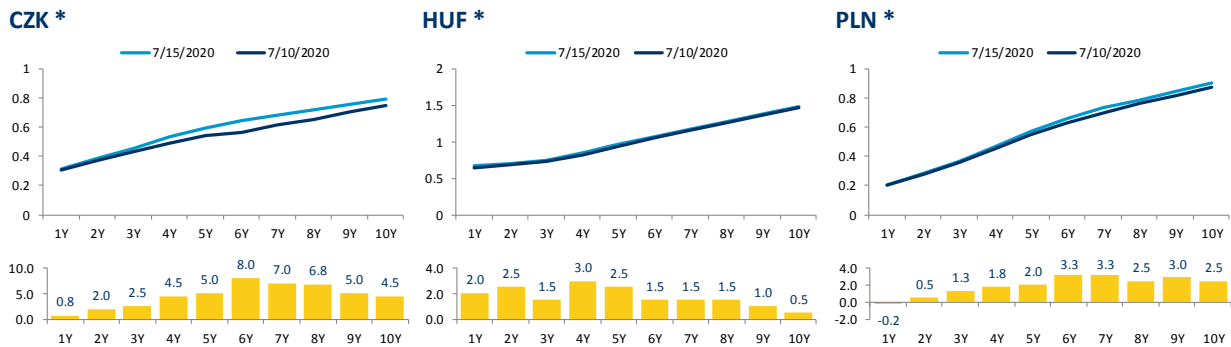
Maintaining the status quo in Poland - well, at least until 2023. This could be a brief summary of the result of the second round of the presidential elections in Poland, which took place over the weekend and in which the current President Duda narrowly defended his post. Although the presidential mandate in Poland is given for five years, the current government led by the social-conservative Law and Justice party, which Duda sympathizes with, will rule Poland at least until 2023, when regular parliamentary elections are to take place in the country.

Therefore, politically as well as economically, this weekend leaves things unchanged in Poland, which explains the very moderate or rather no reaction of the zloty and other Polish financial assets to the outcome of the elections. Thus, it can be expected that the government's expansionary budgetary policy will continue to be supported by a very relaxed monetary policy on the part of the Polish Central Bank, which pushed the official interest rates to zero and launched the policy of government bond purchases during the coronavirus crisis. After all, the NBP meeting today will also confirm that the current loose monetary policy will remain unchanged in Poland (as elsewhere in Europe) for a while yet.

Moreover, from an institutional and medium-term perspective, it is important to note that the mandate of the vast majority of members of the NBP's Monetary Policy Committee will end in 2022. In other words, the current president and the parliament will decide whether the NBP central bankers will remain in their positions for the next six years (after 2022) (the president nominates the NBP governor and three other central bankers, and three central bankers are also nominated by the Sejm and the Senate). In this situation, the courage to come up with the hawkish view that it would be advisable to consider normalizing the monetary policy with time will not be great among the members of the Monetary Policy Committee.

As for Poland's economic performance, given his limited executive powers, the re-elected president will have a limited voice in this. However, President Duda can play an essential role in the ongoing negotiations on the EU budget for 2020-2027. Regardless of its tense relationship with the European Commission simmering in the media (the Polish judicial reform is a long-standing dispute), Poland has always taken a very pragmatic attitude towards the EU, which has led to its success in obtaining significant financial transfers from the EU budgets. Two to three percent of GDP comes to Poland annually from the EU structural funds alone, which also explains the rapid real convergence to the eurozone over recent years. The main task of the re-elected president will then be to support the Polish government, as diplomatically as possible, in its negotiations about the EU budget so that Poland can keep the generous transfers flowing in from the EU budgets also in the upcoming seven years.

## 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	Unit	Period	Forecast		Actual		Consensus		Previous	
						m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
PL	07/15	10:00	CPI	%	06/2020 *F							0.7	3.3
CZ	07/15	12:00	CZ eurobond auction 2020-202X, 0.00%	EUR mil	07/01/2020					300			
PL	07/16	14:00	Core CPI	%	06/01/2020					0.7	4.1	-0.1	3.8
CZ	07/17	9:00	PPI	%	06/01/2020					0	-0.10	0.40	-0.9
PL	07/17	10:00	Wages	%	06/01/2020					1.3	1.6	-3.1	1.2
PL	07/20	10:00	Industrial output	%	06/01/2020							10.1	-17
PL	07/20	10:00	PPI	%	06/01/2020							0	-1.5
PL	07/21	10:00	Retail sales	%	06/01/2020							14.5	-8.6
HU	07/21	14:00	NBH meeting	%	07/01/2020	0.75				0.75		0.75	

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