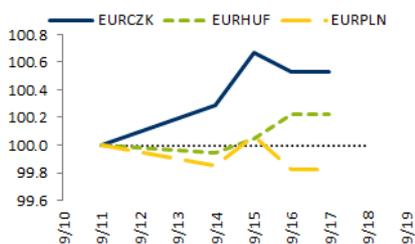




Central
Europe
Friday

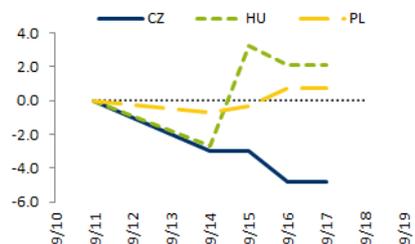
Friday, 18 September 2020

Forex markets (index)



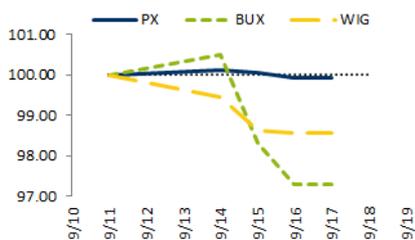
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.72	26.72	0.00
EURHUF	358.4	358.4	0.00
EURPLN	4.445	4.445	0.00

Gov. bonds 10Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.001	1.001	0.0
HUGB 10Y	2.39	2.39	0.0
PLGB 10Y	1.37	1.37	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	896.9	896.9	0.00
BUX	33898	33898	0.00
WIG	50014	50014	0.00

Regional insights

The CZK underperforms as the Israeli scenario looms

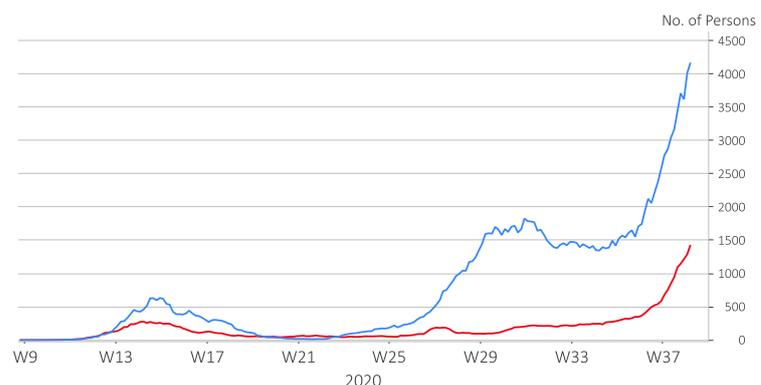
The uncertainty associated with the further development of the pandemic in the Czech Republic becomes extreme as new COVID cases are growing rapidly (yesterday more than 3 thousand people). And although the Czech government has resolutely refused it so far, the negative Israeli (COVID) scenario hangs in the air.

Recall that similarly to the Czechia, Israel relaxed strict measures in May, when the number of new cases dropped to about twenty to thirty a day. However, after the start of the school year and with the celebrations of the Jewish New Year, the number of cases went up sharply (4-5 thousand newly infected daily in mid-September). Israel therefore decided to "switch off" the whole country for three weeks. Children are not allowed in schools and no one is allowed to move further than 500 meters from the house unless they go to work or buy the necessary things. At the same time, widespread tough measures will again have a devastating impact on the economy.

And it seems the Czech koruna has been beginning to fear something similar in recent weeks. The currency pair climbed to 26.70 EUR/CZK and it will probably remain under upward pressure in the coming sessions.

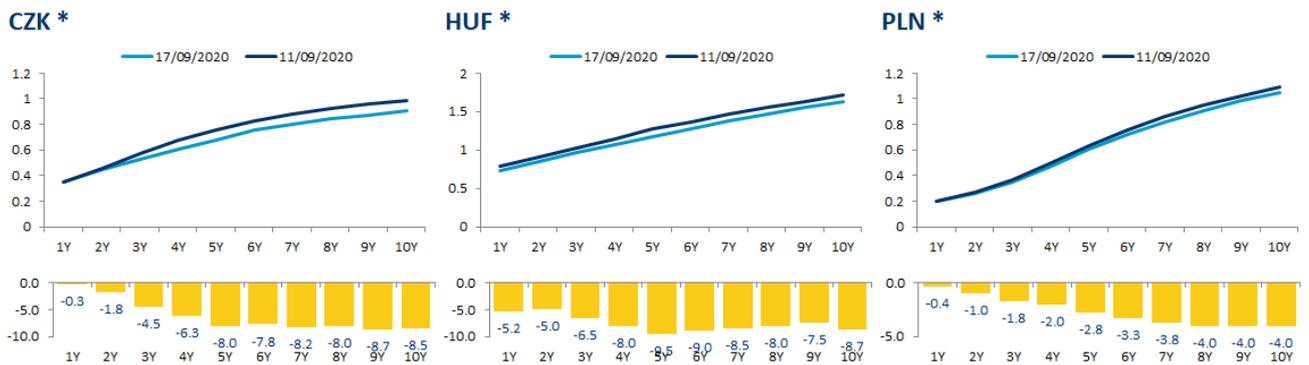
That is because even if the Czechia does not follow the same path as Israel, a sharp increase in the number of people infected will naturally dampen economic activity. People will go less to restaurants, cinemas or theatres and at the same time be more careful when spending. This will be doubly true for the business community, which is not sure that there will be no third, fourth and more after the second wave of the pandemic. For many companies at the moment, it is imperative to cut spending, postpone investments and accumulate reserve cash.

Thus, the rapid growth of those infected may in itself be enough for the Czech economy to halt its return to pre-COVID activity. In this respect, the koruna should especially watch the next CNB meeting, scheduled for next Wednesday as the central bank must integrate the current negative development (of the pandemic) into its scenarios.



— Israel [m.a. 7 obs, c.o.p. val 1 obs] — Czech Republic [m.a. 7 obs, c.o.p. val 1 obs]

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	09/17	10:00	Wages	%	08/01/2020				-0.9	4.0	1.8	3.8
PL	09/18	10:00	Industrial output	%	08/01/2020				-4	3.4	3.4	1.1
PL	09/18	10:00	PPI	%	08/01/2020				-0.1	-1.0	0.3	-0.6

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