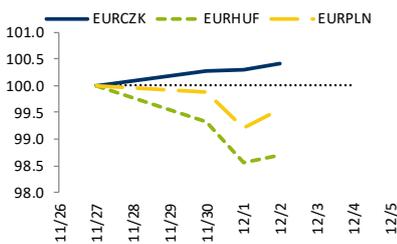




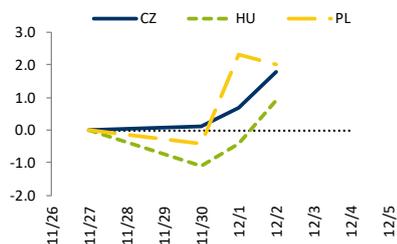
Wednesday, 02 December 2020

Forex markets (index)



	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.29	26.26	0.12
EURHUF	356.9	356.4	0.14
EURPLN	4.463	4.448	0.34

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.259	1.248	1.1
HUGB 10Y	2.19	2.18	0.6
PLGB 10Y	1.25	1.26	-0.2

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	962.5	964.2	-0.18
BUX	38896	38752	0.37
WIG	53119	52932	0.35

Our regional insights:

The Czech government eases COVID restrictions

Tomorrow, anti-pandemic measures will be substantially relaxed in the Czech Republic. The easing comes significantly earlier despite the continued community spread (testing positivity rate is still above 20%). On the other hand, a collapse of the health care system as a whole has been avoided as a consequence of significant decline in the reproduction number R below the 1.0 threshold (see the chart below).

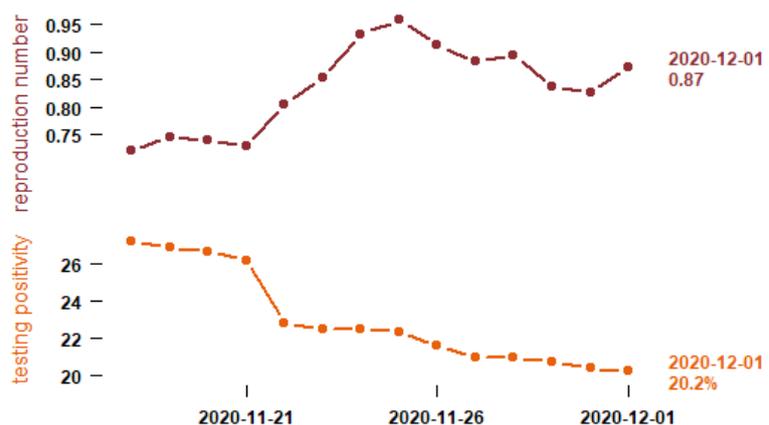
All in all we do not expect that the Czech government will soon be able to afford to move towards further easing of its coronavirus measures. In combination with Christmas visits and New Year's celebrations, the currently taken steps such as opening up restaurants and shopping malls could lead to a third wave of the pandemic at the beginning of next year. This is one of the reasons why we expect, in the base scenario, that social contacts and mobility will have to be limited in the Czech Republic, at least until the vaccine is deployed effectively. So, what does this mean for the Czech economy in the short term?

First, it is important to distinguish between directly affected services (such as restaurant and hotel services, trade or transport) from the industry or construction sectors, which are currently under much less pressure than in the spring. The impact of the second and potentially third wave on the economy as a whole therefore is and will be weaker, even if selected sectors (such as retail) will "suffer" similarly as they did in the spring.

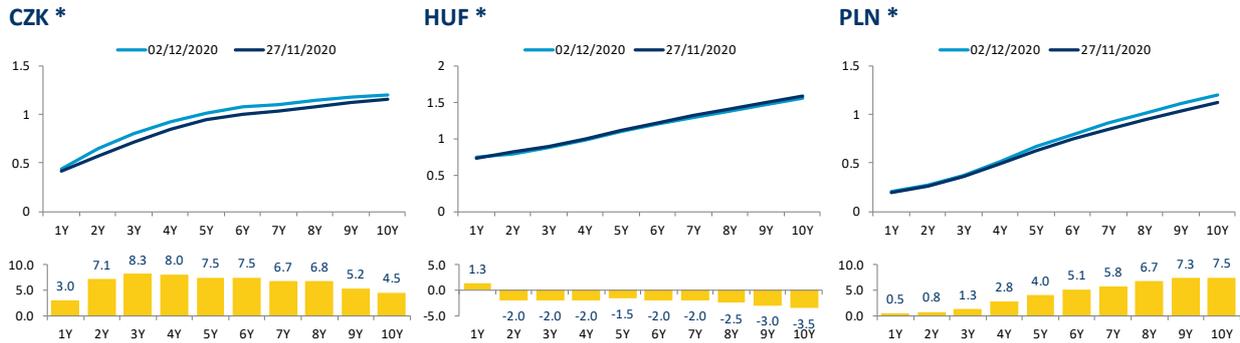
Secondly, if we expect the vaccine to be deployed across Europe gradually, starting from the second quarter at the earliest, the decline in GDP in the fourth quarter of 2020 and performance at the level of stagnation in the first quarter of 2021 is a probable scenario for much of Europe, including the Czech Republic. In this case, the Czech economy may however have the advantage of being connected to the industrially oriented economy of Germany.

Thirdly, with the effective deployment of the vaccine we should see the final easing that will have the most positive effect for the economies with the highest mobility variations. Once again, this group also includes the Czech Republic, which could benefit from a strong revival of services - especially those linked to tourism - in the 2nd half of the year.

Czech reproduction number & testing positivity



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	12/02	9:00	Trade balance	EUR M 09/2020 *F			1140				1141	
PL	12/02	14:00	NBP meeting	% 12/01/2020	0.1				0.1		0.1	
HU	12/03	9:00	Retail sales	% 10/01/2020								-2.0
HU	12/03	11:50	One week deposit rate	% 12/01/2020	0.75				0.75		0.75	
CZ	12/04	9:00	Real wages	% 3Q/2020		-0.8				-0.40		-2.5
HU	12/04	9:00	Industrial output	% 10/01/2020							2.3	-1.0
CZ	12/04	9:00	Unemployment rate 15-64	% 11/01/2020							3.7	
CZ	12/07	9:00	Retail sales	% 10/01/2020								-2.8
CZ	12/08	9:00	Construction output	% 10/01/2020								-8.2

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