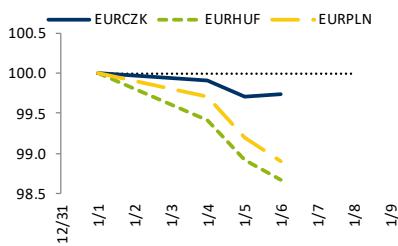




**Central
Europe**
Wednesday

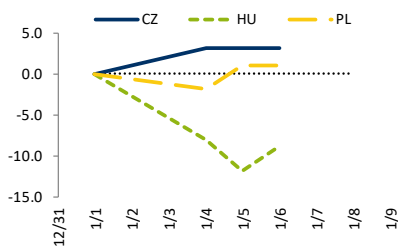
Wednesday, 06 January 2021

Forex markets (index)



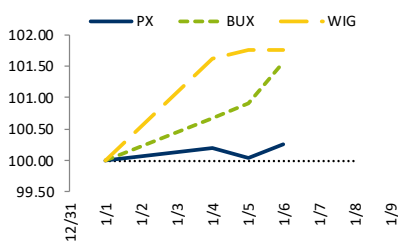
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.17	26.16	0.03
EURHUF	358.4	359.3	-0.25
EURPLN	4,520	4,533	-0.30

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.284	1.284	0.0
HUGB 10Y	2.00	1.97	1.5
PLGB 10Y	1.24	1.24	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1029.8	1027.7	0.21
BUX	42706	42434	0.64
WIG	58027	58027	0.00

Our regional insights:

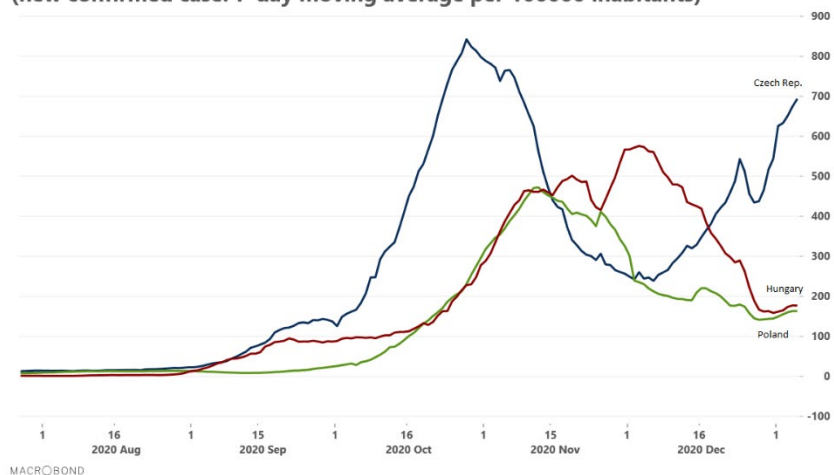
CE currencies in a bullish mode despite prevailing COVID-19 threats

Despite FX intervention threats coming from the Polish central bank CE currencies have started the year 2021 in a bullish fashion. While a part of the story could be a weak(er) US dollar, which is usually a supportive environment for regional currencies, the rest could be simply a reversion of the losses accumulated at the end of the last year. Still, the recent gains have been surprising in the context of other bad regional news, which are primarily related to pandemic development.

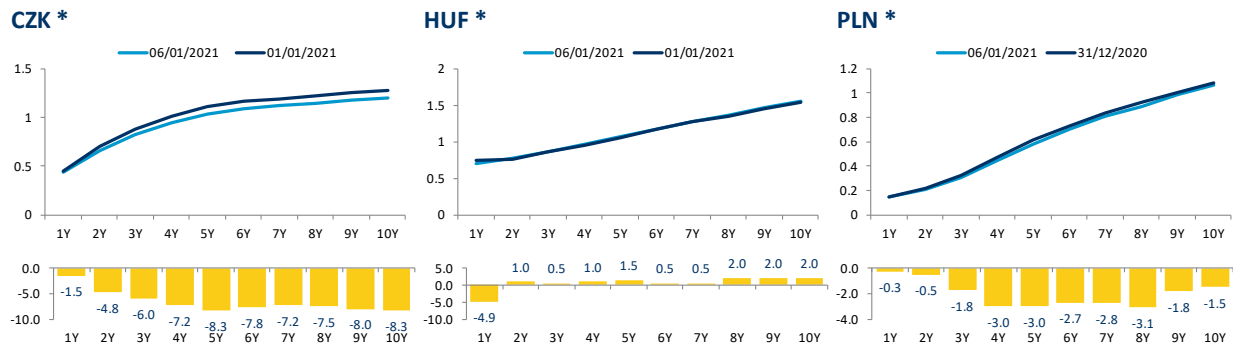
Recall that the whole region experienced a second wave of the pandemic, which led to quite severe lockdowns. These were, however, only temporary and quarantine measures were relaxed before Christmas. As a result the spread of the virus eased also only temporary and CE countries now see a rise in infections again. The leader in this respect is the Czech Republic, where daily numbers of the new(ly) confirmed COVID-19 cases is now reaching new all-time highs again. At the same time, Poland's and Hungary's situation might not be so dire in terms of new (daily) COVID-19 cases, but daily COVID-19 fatalities have remained quite high. This leads us to a conclusion that the recent lockdowns in the Czech Republic, Poland and Hungary will stay possibly longer and they will weigh on the economic activity.

Hence, the regional pandemic development suggests that despite all the positive related news surrounding vaccines, activity might slow. In other words, we should be prepared for a tough first quarter from a macroeconomic point of view in CE. This also implies that extraordinary support coming from government authorities and central banks' actions will be still needed. This situation could trigger more central bank's (easing) actions - like another NBP's rate cut next week for example.

Central Europe - COVID-19 development (new confirmed case: 7-day moving average per 10000 inhabitants)



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
CZ	01/06	9:00	Trade balance (national)	CZK B 11/01/2020			32		30.8		33.4	
HU	01/06	9:00	Wages	% , ytd. 10/01/2020					8.7		8.8	
HU	01/06	9:00	PPI	% 11/01/2020			0				0.7	5.9
HU	01/07	9:00	Retail sales	% 11/01/2020								-1.9
CZ	01/07	10:00	FX reserves of the CNB	EUR B 12/01/2020							133.5	
PL	01/07	10:00	CPI	% 12/2020 *P					0.3	2.6	0.1	3.0
HU	01/07	11:50	One week deposit rate	% 01/01/2021							0.75	
CZ	01/08	9:00	Construction output	% 11/01/2020								-10.5
CZ	01/08	9:00	Industrial output	% 11/01/2020						-0.5		-1.3

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