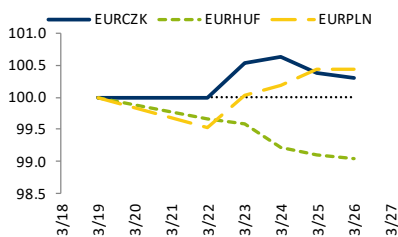




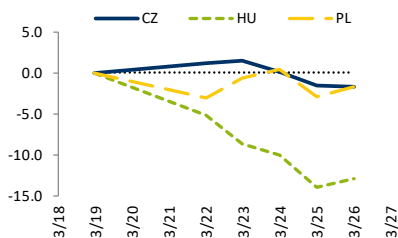
Friday, 26 March 2021

Forex markets (index)



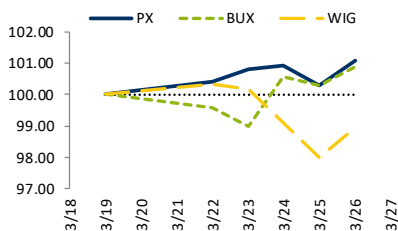
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.15	26.17	-0.08
EURHUF	364.1	364.3	-0.05
EURPLN	4.635	4.636	-0.01

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.943	1.944	-0.1
HUGB 10Y	2.61	2.60	0.4
PLGB 10Y	1.49	1.47	0.8

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1091.9	1083.4	0.79
BUX	44428	44169	0.59
WIG	56997	56449	0.97

Regional insights

Slow Czech vaccination ties CNB's hands

The Hungarian Central Bank held its meeting on Tuesday and its Czech counterpart followed suit on Wednesday this week. It should be noted that the CNB Board left the interest rates unchanged on Wednesday, and the decision was adopted unanimously. No surprise there.

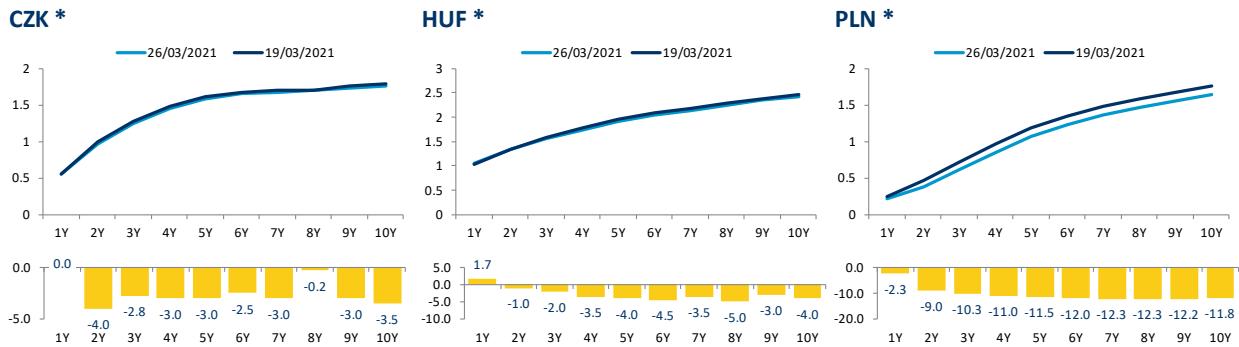
Interestingly, however, just like in February, the CNB Board distanced themselves from the hawkish conclusion by the staff inflation forecast. It should be recalled that the staff forecast issued by in February expected the CNB to start to hike the interest rates very quickly from the second quarter onwards. Once again, the Bank Board considers macroeconomic risks to be very significant. Therefore, it is very likely that the CNB will proceed with hiking at a later point in time. At the press conference, CNB Governor Rusnok opined that the negative consequences of a delay in raising interest rates are lower than a premature tightening would cause. According to the Bank Board, normalisation of interest rates should be preceded by clear signs of economic recovery and a resolution of the pandemic situation, which is not the case yet. While, according to the CNB forecast, the (pandemic) quarantine should have been winding down, the reverse is the case as the restrictions have been tightened over the last weeks. Therefore, the head of the Czech Central Bank envisions the first hike of the official interest rates to fall in the period between the forecast and the timing currently assumed by the market.

However, there are still too many unknowns at stake and so it will be necessary to track the figures coming from the Czech economy. That is not only because of the mixed hard monthly data but also the high-frequency data and leading indicators. Especially, the latter have not been overly optimistic so far (except for PMIs). However, they perhaps reflect less the real situation in the economy than the negative feelings caused by prolongation or the threat of a possible extension of the lockdown. After all, the contrast between the positive development of strong new orders in the industry and the gloomy mood in this sector clearly invites such a conclusion. Moreover, considering the excellent eurozone purchasing managers' indices (in particular in Germany) from March, the local pessimism may seem perhaps too deep. At least foreign demand will continue to keep the Czech economy afloat.

From the CNB's point of view, there is not much left to do but wait until the restrictions in services are lifted. This will be achieved only via an accelerated vaccination process. Only this will untie the CNB's hands to start a new tightening cycle. However, in our opinion, given the slow vaccination (in the Czech Rep. & EU), this is not likely to happen before the last quarter of this year.

Petr Dufek (CSOB Prague)

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	03/29	9:00	Trade balance	EUR M	01/2021 *F							830
HU	03/30	9:00	Unemployment rate	%	02/01/2021							4.3
HU	03/31	9:00	Wages	%, ytd.	01/01/2021							10.6
HU	03/31	9:00	PPI	%	02/01/2021							0.7
												6.6
CZ	03/31	10:00	Money supply M2	%	02/01/2021							11.0
CZ	03/31	12:00	CZ bond auction 2015-2026, 1.00%	CZK B	03/01/2021				5			
CZ	03/31	12:00	CZ bond auction 2020-2031, 1.20%	CZK B	03/01/2021				6			
CZ	03/31	12:00	CZ bond auction 2020-2040, 1.50%	CZK B	03/01/2021				2			
PL	03/31	14:00	CPI	%	03/2021 *P							0.5
												2.4
CZ	04/01	9:00	GDP	%	04/2020 *F							0.6
												-4.7
HU	04/01	9:00	PMI Manufacturing		03/01/2021							49.4
PL	04/01	9:00	PMI Manufacturing		03/02/2021							53.4
CZ	04/01	9:30	PMI Manufacturing		03/03/2021							56.5
HU	04/01	11:50	One week deposit rate		04/04/2021							0.75
CZ	04/01	14:00	Budget balance		03/03/2021							-86

Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		Brussels		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95		Institutional Desk		+32 2 417 46 25
			France		+32 2 417 32 65
			London		+44 207 256 4848
			Singapore		+65 533 34 10
Dublin Research			Prague		
Austin Hughes	+353 1 664 6889		Prague (Equities)		+420 2 6135 3535
Shawn Britton	+353 1 664 6892				+420 2 2142 4216
Prague Research (CSOB)			Bratislava		
Jan Čermák	+420 2 6135 3578				+421 2 5966 8820
Petr Dufek	+420 2 6135 3560				
Bratislava Research (CSOB)			Budapest		
Marek Gabris	+421 2 5966 8809				+36 1 328 99 85
Budapest Research					
David Nemeth	+36 1 328 9989				

ALL OUR REPORTS ARE AVAILABLE VIA OUR KBC RESEARCH APP (iPhone, iPad, Android)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the data of the report and are subject to change without notice.

