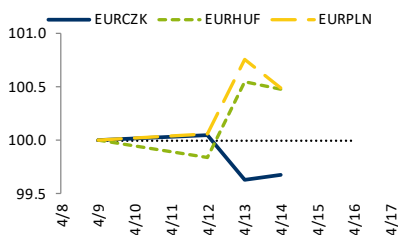




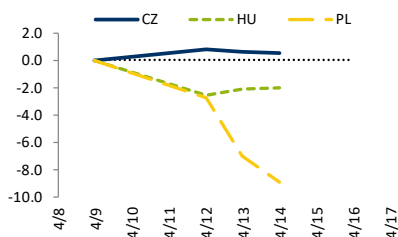
Wednesday, 14 April 2021

Forex markets (index)



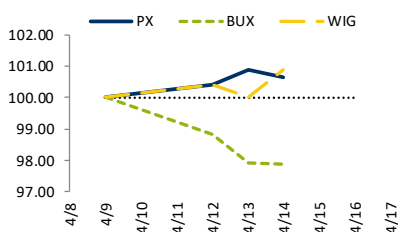
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.93	25.91	0.05
EURHUF	359.2	359.4	-0.06
EURPLN	4,554	4,566	-0.27

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.941	1.942	-0.1
HUGB 10Y	2.72	2.71	0.0
PLGB 10Y	1.48	1.50	-1.3

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1098.9	1101.5	-0.24
BUX	42850	42866	-0.04
WIG	59923	59413	0.86

Our regional insights:

The Czech inflation moves sideways just above 2%

In March, the Czech inflation accelerated just slightly to 2.3% y/y. The inflation uptick in the past month was due mainly to more expensive fuels responding to the development of oil prices in global markets.

The causes of the headline inflation this year can still be seen in particular in more expensive cigarettes and alcohol, which together have generated more than one third of the current inflation. Nevertheless, the stronger influence of the transportation component cannot be overlooked either as it represents the third most important item of household budgets. The underlying reason is the rising prices of not only fuels but also cars, which are over 9% y/y more expensive, in particular as a result of enhanced safety and environmental improvements.

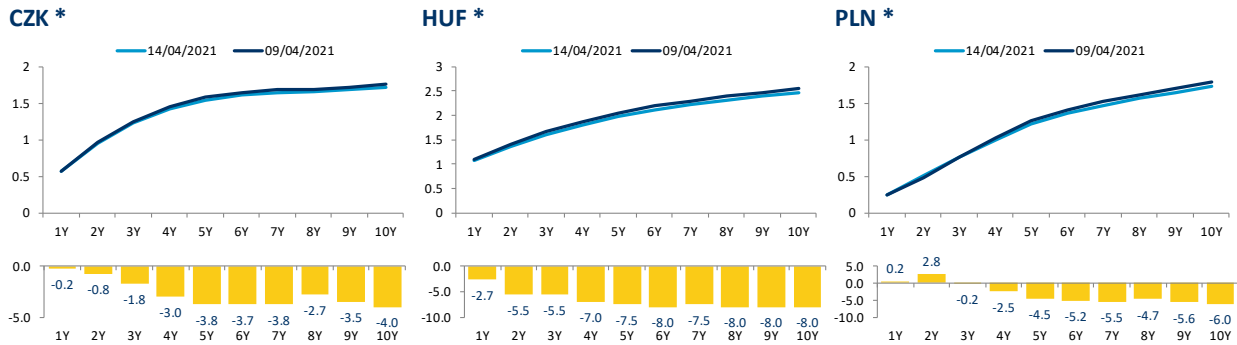
The contribution of housing costs to inflation, which worked as a significant pro-inflation factor in previous years, is ever smaller. Thanks to the reduction in the prices of electricity and natural gas, the situation has changed and housing may thus be even cheaper than in 2020 for a certain segment of households. We also cannot overlook the significant slowdown in rent growth, which may be explained by an increased offer of rentals on the market influenced by the freeze of short-term rentals (mediated through the Airbnb or Booking.com platforms).

In the following months, the Czech inflation will not yet deviate much from the values in March. Of course, there is the question of what prices will be set by brick-and-mortar shops and services after their reopening. Regarding goods, the effect will most probably be positive and the efforts to attract customers will rather push prices down slightly, while the development for services may be quite the opposite with time. In the course of time, the contained demand will play into the hands of price increases in tourism and personal services.

In any case, inflation is not and will not be a problem for the Czech economy this year. Therefore, ***we still do not expect that the CNB will hurry to hike official rates but will rather wait till the end of the pandemic and clear signs of economic recovery that will be enabled by vaccination in the whole EU. From this perspective, we consider the current market expectations CNB's future tightening still to be too hawkish.***

Petr Dufek, ČSOB

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	04/14	12:00	CZ bond auction 2014-2027, floating rate	CZK B 04/01/2021					6			
CZ	04/14	12:00	CZ bond auction 2020-2031, 1.20%	CZK B 04/01/2021					6			
CZ	04/14	12:00	CZ Bond auction 2006-2036, 4.20%	CZK B 04/01/2021					2			
PL	04/15	10:00	CPI	% 03/2021 *F							1.0	3.2
HU	04/15	11:50	One week deposit rate	% 04/01/2021							0.75	
PL	04/16	14:00	Core CPI	% 03/01/2021					0.7	3.9	0.4	3.7
CZ	04/20	9:00	PPI	% 03/01/2021							0.7	1.4
PL	04/21	10:00	Wages	% 03/01/2021							0.6	4.5
PL	04/21	10:00	PPI	% 03/01/2021							0.8	2.0

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