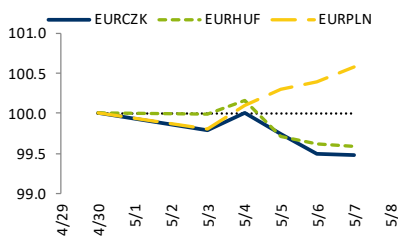




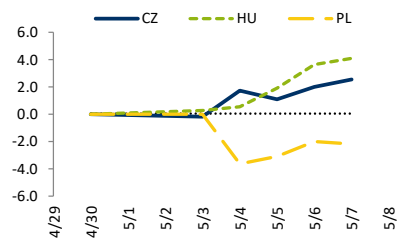
Friday, 07 May 2021

Forex markets (index)



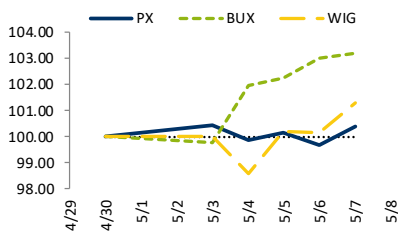
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.73	25.73	-0.02
EURHUF	358.4	358.5	-0.04
EURPLN	4.582	4.573	0.19

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.780	1.775	0.5
HUGB 10Y	2.78	2.78	0.2
PLGB 10Y	1.68	1.69	-0.1

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1104.4	1096.5	0.72
BUX	44566	44473	0.21
WIG	61606	60899	1.16

Regional insights

The hawkish CNB calls for a start of a new hiking cycle this year

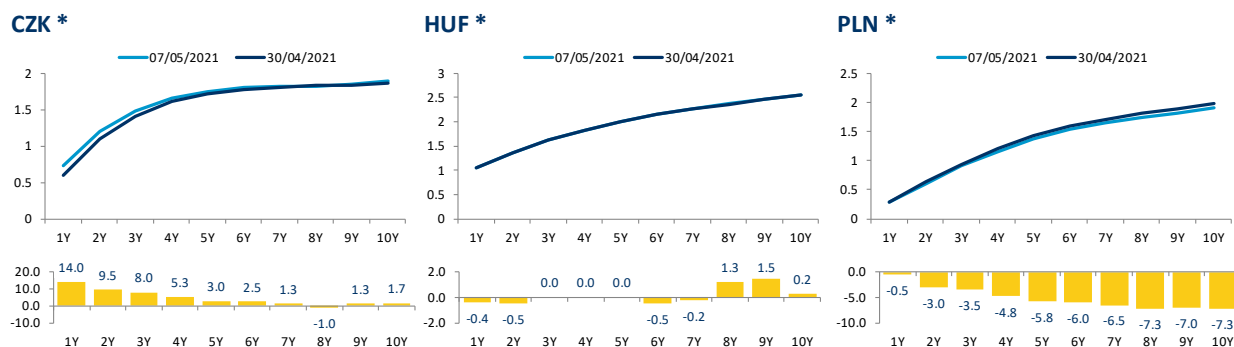
At its meeting in May, the CNB Bank Board unanimously left interest rates unchanged. The highlight of the meeting was clearly the new forecast, which still sees a brisk start of a new hiking cycle. In this respect the new staff forecast is not so different from the previous one – especially in case of its projection of interest rates, the exchange rate of the Czech koruna and inflation. Interestingly, however, the new macroeconomic outlook of the CNB envisages a significantly slower GDP growth as the central bank has reduced its outlook for GDP growth by half for 2021 (though on the other hand, it has improved the outlook for 2022). In this respect, the expected result of the GDP for the first quarter is a bit questionable as the staff forecast expects an economic downturn by 3.5%, while a preliminary official flash release already indicates a decline of -2.1%.

It can be concluded from the press conference of the CNB's Governor Rusnok that the Bank Board is no longer so much opposed to the forecast, assessing potential risks as less significant and, in summary, even balanced. The Governor also stressed to a considerable extent that the CNB would start hiking official interest rates this year, although he did not want to commit to any deadline. Nor did he specify how many times central banks would do so. According to the CNB's head, it will not be necessary to keep interest rates at this extremely low level for a long time as, in his opinion, it would be counterproductive. Therefore, it seems to be likely that one rate hike is possibly rather the minimum in 2021 and so we see the risk that the CNB will raise its repo rate twice this year and at least twice again the following year. Whether the CNB will start its new cycle of tightening monetary policy already in August will follow from the results of the economy after the post-pandemic easing of restrictions.

Nevertheless, taking into account all output coming from yesterday's Bank Board meeting, CNB's macro expectations look quite bullish, especially as regards materialization of the pent-up demand.

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	05/07	9:00	Construction output	%	03/01/2021							-11.0	
CZ	05/07	9:00	Trade balance (national)	CZK B	03/01/2021	13.0			18.0			22.5	
CZ	05/07	9:00	Industrial output	%	03/01/2021		10.0			12.7		-2.6	
HU	05/07	9:00	Trade balance	EUR M	03/2021 *P							849	
CZ	05/07	10:00	FX reserves of the CNB	EUR B	04/01/2021							138.8	
PL	05/07	14:00	NBP minutes	NBP	05/01/2021								
CZ	05/10	9:00	Unemployment rate 15-64	%	04/01/2021							4.2	
HU	05/10	11:00	Budget balance	HUF B	04/01/2021							-1144.3	
CZ	05/11	9:00	CPI	%	04/01/2021							0.2	2.3
HU	05/11	9:00	CPI	%	04/01/2021							0.7	3.7
CZ	05/12	12:00	CZ bond auction 2021-2031, floating rate	CZK B	05/01/2021				4				
CZ	05/12	12:00	CZ bond auction 2021-2032, 1.75%	CZK B	05/01/2021				6				
CZ	05/12	12:00	CZ bond auction 2020-2040, 1.50%	CZK B	05/01/2021				2				
HU	05/13	11:50	One week deposit rate	%	05/01/2021								
PL	05/14	10:00	CPI	%	04/2021 *F							0.7	4.3

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