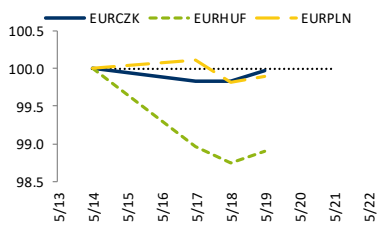




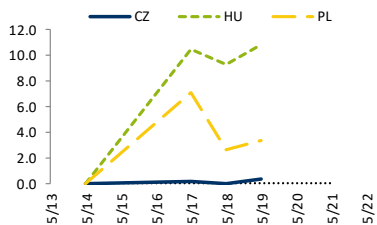
Wednesday, 19 May 2021

Forex markets (index)



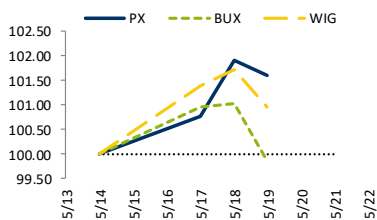
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.46	25.42	0.15
EURHUF	351.3	350.8	0.17
EURPLN	4.522	4.518	0.09

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.767	1.764	0.3
HUGB 10Y	3.21	3.20	0.5
PLGB 10Y	1.93	1.92	0.4

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1139.7	1143.3	-0.31
BUX	45371	45891	-1.13
WIG	62827	63307	-0.76

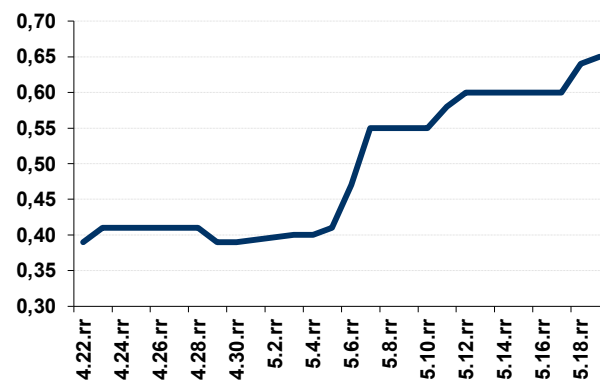
Our regional insights:

CZK and HUF supported by rate-hike bets

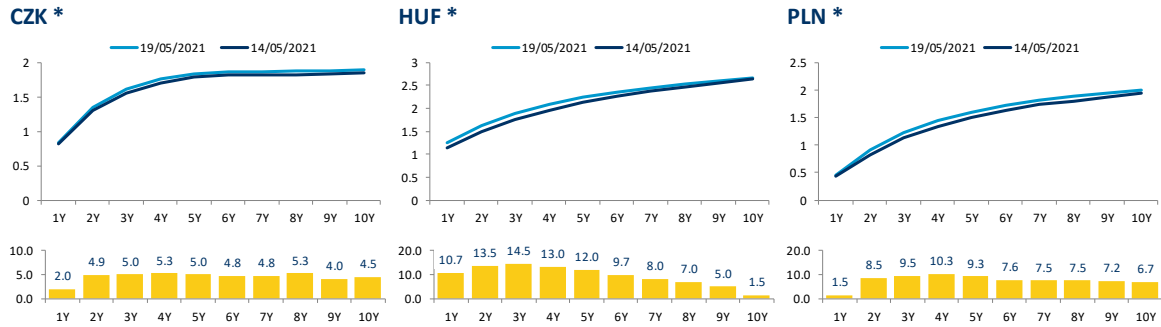
All CE currencies have been trading at stronger levels despite ongoing upward pressure on euro rates and yields. The regional bullish sentiment has been supported by successful vaccination campaign, which allowed smooth opening of the respective economies. Meanwhile the Czech National Bank and the National Bank of Hungary have been forced to sharpen its communication, which have become more hawkish since the April inflation releases. Recall that last Friday - the CNB Bank Board Minutes indicated that the monetary policy tightening decision had moved much closer since the last meeting. Moreover, the Minutes showed that the most influential Bank Board member – Tomáš Holub - pointed out that raising interest rates already at the late-June monetary policy meeting was de facto consistent with the forecast and with keeping inflation close to the target at the monetary policy horizon. Then on this Monday, NBH's vice governor Virag also signalled a first rate hike might be needed as soon as June. As a result both CZK and HUF short-term rates jumped significantly as money-markets have started to price in imminent rate hikes.

While we are reluctant to see a rate hike in Hungary already in May and in the Czech Republic already in June, we do believe that this hawkish rhetoric will remain supportive for both currencies.

CZK FRA 3x6



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
PL	05/20	10:00	Wages	% 04/01/2021							6.50	8.0
HU	05/20	11:50	One week deposit rate	% 05/01/2021								
PL	05/24	10:00	Industrial output	% 04/01/2021							18.6	18.9
PL	05/24	10:00	Retail sales	% 04/01/2021							15	15.2
PL	05/25	14:00	Money supply M3	% 04/01/2021							1.4	14.4
HU	05/25	14:00	NBH meeting	% 05/01/2021								
HU	05/25	14:00	Overnight deposit rate	% 05/01/2021								
PL	05/26	10:00	Unemployment rate	% 04/01/2021							6.4	
CZ	05/26	12:00	CZ bond auction 2021-2024, 0.00%	CZK B 05/01/2021					4.0			

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
Dublin Research			London		+44 207 256 4848
Austin Hughes	+353 1 664 6889		Singapore		+65 533 34 10
Shawn Britton	+353 1 664 6892				
Prague Research (CSOB)			Prague		+420 2 6135 3535
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Petr Dufek	+420 2 6135 3560				
Bratislava Research (CSOB)			Bratislava		+421 2 5966 8820
Marek Gabris	+421 2 5966 8809				
Budapest Research			Budapest		+36 1 328 99 85
David Nemeth	+36 1 328 9989				

Find more economic insights at www.kbceconomics.be

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.

