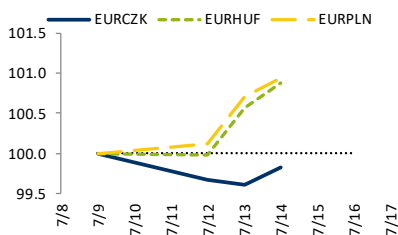




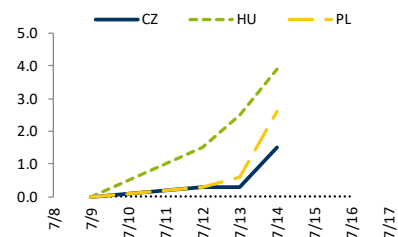
Wednesday, 14 July 2021

## Forex markets (index)



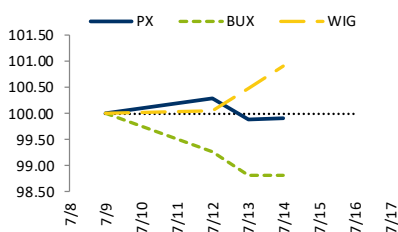
|        | LAST  | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 25.70 | 25.65    | 0.22       |
| EURHUF | 358.6 | 357.5    | 0.31       |
| EURPLN | 4,591 | 4,580    | 0.24       |

## Gov. bonds 10 Y (bps change)



|          | LAST  | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 1.714 | 1.702    | 1.2          |
| HUGB 10Y | 2.85  | 2.83     | 0.5          |
| PLGB 10Y | 1.70  | 1.68     | 1.2          |

## Equity indices (index)



|     | LAST   | PREVIOUS | CHANGE (%) |
|-----|--------|----------|------------|
| PX  | 1155.1 | 1154.6   | 0.04       |
| BUX | 47589  | 47592    | -0.01      |
| WIG | 67743  | 67449    | 0.44       |

## Our regional insights:

## The Czech inflation stabilizes somewhat in June

Czech consumer prices increased by 0.5% in June, mainly due to further increases in the prices of fuel, seasonal increases in the prices of clothing and footwear, recreation, and services affected by lockdown measures (restaurants and accommodation).

Compared to May, year-on-year inflation decreased by one tenth of a percentage point to 2.8%. The current inflation in the Czech Republic is caused mainly by more expensive transport - in particular rising fuel prices and increases in the prices of passenger cars. The transport sector is closely followed by alcohol and cigarettes. Housing comes third. The growth of housing costs is however still hampered by cheaper electricity and natural gas. Nevertheless, the question remains how long it will take before they start reflecting the higher prices of these commodities on international markets.

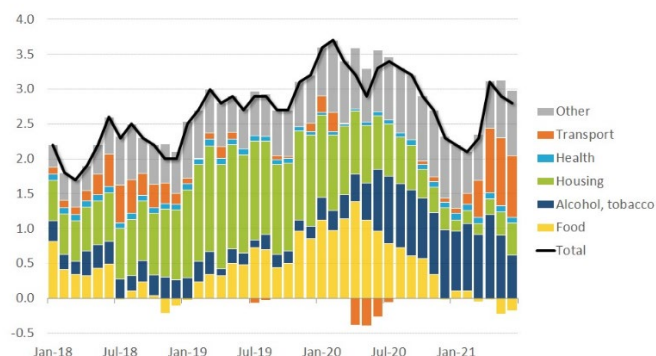
Up to now, the development of prices at hotels and restaurants after the lockdown relaxed has been a big unknown. According to the data published by the Statistical Office, the prices increased by one percent on average over the last month. They are 3.3% higher year-on-year, so there has been no dramatic increase in prices in the Czech Republic so far. Of course, this is an average value that erases regional differences both in the level of prices and their dynamics.

Year-on-year inflation will tend to continue falling slightly in the coming months, mainly due to the base effect. At the end of this year however, inflation will return to approximately the current levels. We could see a slight decline in inflation next year, but there are still many uncertainties, including the further development of the pandemic, the situation in commodity markets, the strength of domestic demand, and the recovery of tourism. Last but not least, future inflation will also be influenced by how successful the automotive industry will be in getting into overdrive with its production.

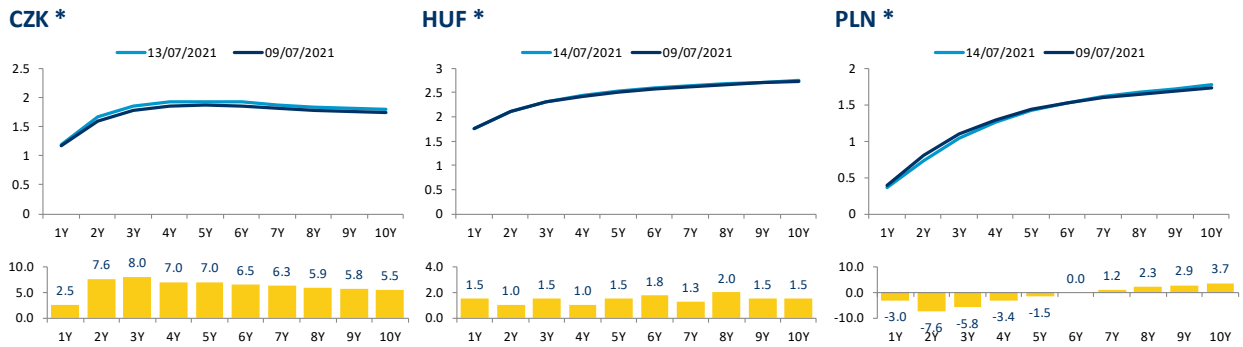
In any case, the inflation published today is unlikely to affect the CNB's next decision. The central bank is very likely to increase its repo rate by a quarter of a percentage point (up to 0.75%) once again at its meeting in August, which the money market has already fully priced in.

## CZ: Inflation

(consumer basket decomposition in percentage points)



## 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      | 07/14 | 10:00 | Current account                  | CZK B 05/01/2021 |          |     | 7.2    |     | 15.50     |     | 37.31    |      |
| CZ      | 07/14 | 12:00 | CZ bond auction 2020-2029, 0.05% | CZK B 07/01/2021 |          |     |        |     | 4         |     |          |      |
| CZ      | 07/14 | 12:00 | CZ bond auction 2021-2032, 1.75% | CZK B 07/01/2021 |          |     |        |     | 6         |     |          |      |
| CZ      | 07/14 | 12:00 | CZ Bond auction 2006-2036, 4.20% | CZK B 07/01/2021 |          |     |        |     | 3         |     |          |      |
| PL      | 07/14 | 14:00 | Current account                  | EUR M 05/01/2021 |          |     |        |     | 1255      |     | 1740     |      |
| PL      | 07/14 | 14:00 | Trade balance                    | EUR M 05/01/2021 |          |     |        |     | 1015      |     | 1289     |      |
| PL      | 07/15 | 10:00 | CPI                              | % 06/2021 *F     |          |     |        |     |           |     | 0.1      | 4.40 |
| PL      | 07/16 | 14:00 | Core CPI                         | % 06/01/2021     |          |     |        |     | 0.3       | 3.6 | 0.3      | 4.0  |
| PL      | 07/19 | 10:00 | Wages                            | % 06/01/2021     |          |     |        |     |           |     | -2.9     | 10.1 |

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