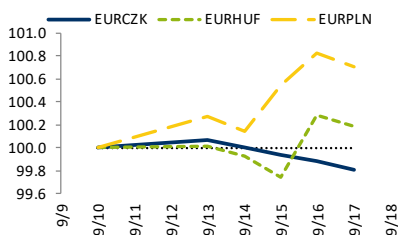




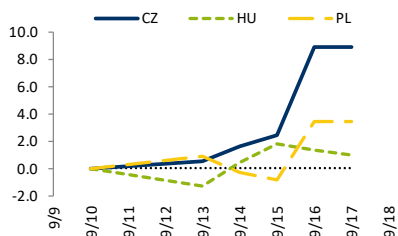
Friday, 17 September 2021

## Forex markets (index)



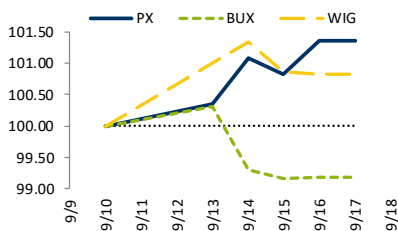
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.30	25.32	-0.08
EURHUF	350.8	351.1	-0.10
EURPLN	4.573	4.579	-0.12

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.973	1.973	0.0
HUGB 10Y	3.07	3.07	-0.1
PLGB 10Y	2.02	2.02	0.0

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1302.0	1302.0	0.00
BUX	52331	52331	0.00
WIG	71675	71675	0.00

## Regional insights

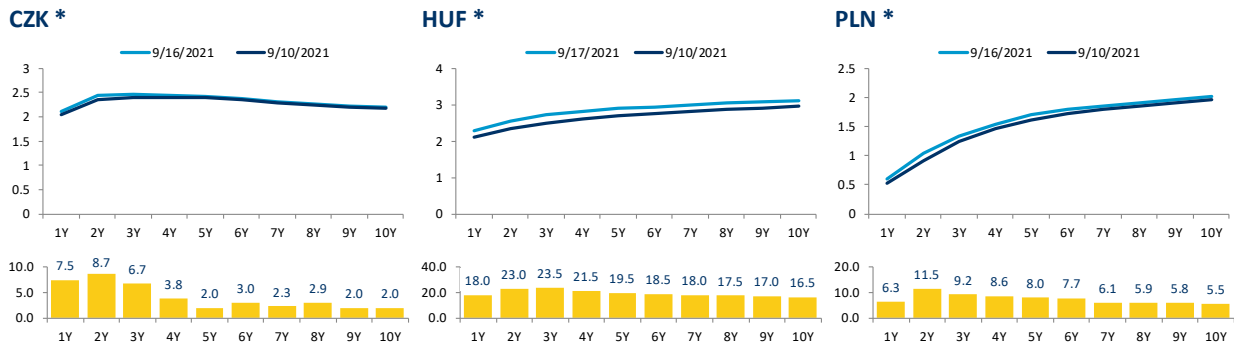
## A 50bps rate hike from the CNB in the air

More hawkish comments from the CNB are supporting the Czech koruna so the EUR/CZK pair is trying to get below the 25.30 level. Recall that the traditionally more moderate CNB Deputy Governor Marek Mora started to openly talk about a possible debate over a 50bps rate hike already at the September meeting. It seems that if the new inflation staff forecast provides sufficiently compelling arguments, he is inclined to favour the option of faster interest rate hikes. This scenario seems likely as the last CNB forecast already indicated faster interest rate growth during this autumn and the latest inflation numbers were clearly pro-inflationary. It is true that GDP growth fell slightly short of expectations, but other key pro-inflation parameters, including wages, are in line with the latest staff forecast. Moreover, the CNB Bank Board believes that the new autumn waves of the COVID pandemic should no longer have significant negative effects on the economy (due to higher vaccination rates and the ability to manage life better during a pandemic).

It is therefore likely that the CNB's analytical staff will recommend to the Board to raise interest rates by 50bps at the end of September. The question is how central bankers will deal with this recommendation. At the last meeting, only rate-setter Vojtěch Benda raised his hand for faster rate hikes. Now Marek Mora is in favour of a more radical move and we assume that the growing arguments for faster rate hikes could theoretically be heard by influential board member Tomáš Holub as well. On the other hand, however, there is an increasingly isolated pair of dovish opponents of higher interest rates - Aleš Michl and Oldřich Dědek. The question is how the hitherto very cautious Governor Rusnok will decide at such a moment. Whether he will listen to the voices of the analytical staff, which is calling for faster rate hikes, or whether he will seek the broadest possible consensus across the Bank Board.

*Nevertheless, in our eyes, Mark Mora's latest remarks in any case increase the likelihood of a 50bps rate hike this month, and if the Governor or the Second Deputy Governor (Tomas Niedetzky) were to speak in a similar fashion, a 50bps rate hike at the September meeting would be a done deal.*

## 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	09/17	10:00	Wages	% 08/01/2021			-0.1	9.5	-0.6	8.8	0.9	8.7
HU	09/20	8:30	Current account	HUF B 2Q/2021							541	
PL	09/20	10:00	PPI	% 08/01/2021							1.2	8.2
PL	09/20	10:00	Industrial output	% 08/01/2021							-3.9	9.8
PL	09/21	10:00	Retail sales	% 08/01/2021							2.1	3.9
HU	09/21	14:00	NBH meeting	% 09/01/2021							1.5	
HU	09/21	14:00	Overnight deposit rate	% 09/01/2021							0.6	
CZ	09/22	12:00	CZ bond auction 2021-2032, 1.75%	CZK B 09/01/2021					3			
CZ	09/22	12:00	CZ bond auction 2021-2037, 1.95%	CZK B 09/01/2021					2			
PL	09/22	14:00	Money supply M3	% 08/01/2021							1.0	8.8
PL	09/23	10:00	Unemployment rate	% 08/01/2021							5.8	

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