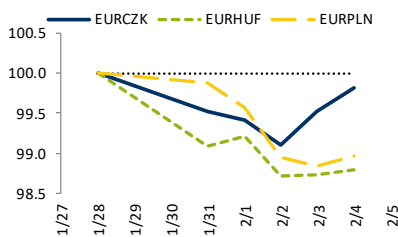




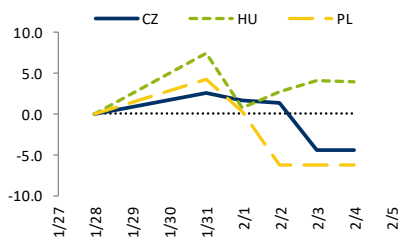
Friday, 04 February 2022

### Forex markets (index)



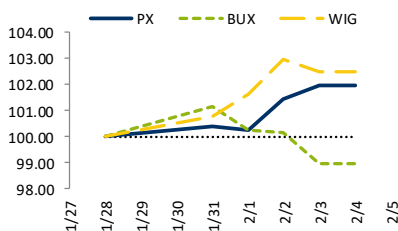
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.39	24.32	0.29
EURHUF	354.5	354.3	0.05
EURPLN	4.542	4.537	0.12

### Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.171	3.171	0.0
HUGB 10Y	4.92	4.92	0.0
PLGB 10Y	3.97	3.97	0.0

### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1438.4	1438.4	0.00
BUX	52285	52285	0.00
WIG	68551	68551	0.00

## Regional insights

### The CNB hikes by 75bps, but the top might be close

As expected, the CNB increased its base interest rate by 75 bps to 4.5%; unsurprisingly in a voting ratio of 5:2 (in favour).

This time, the Bank Board based its decision on a new staff forecast, which among other things presumes inflation will return to the two-percent target already on the monetary policy horizon of 18 months.

Although the forecast expects a substantial jump in inflation in the first quarter of 2022 (to nearly 10%) and that it will remain at such a high level also in the second quarter, projected short-term rates have virtually been peaking now. In the second half of the year, the official rates should even start dropping quite fast, and in the last quarter, the three-month PRIBOR should reach only 3.78% on average. This would correspond to rate cuts by 100 basis points before the end of this year.

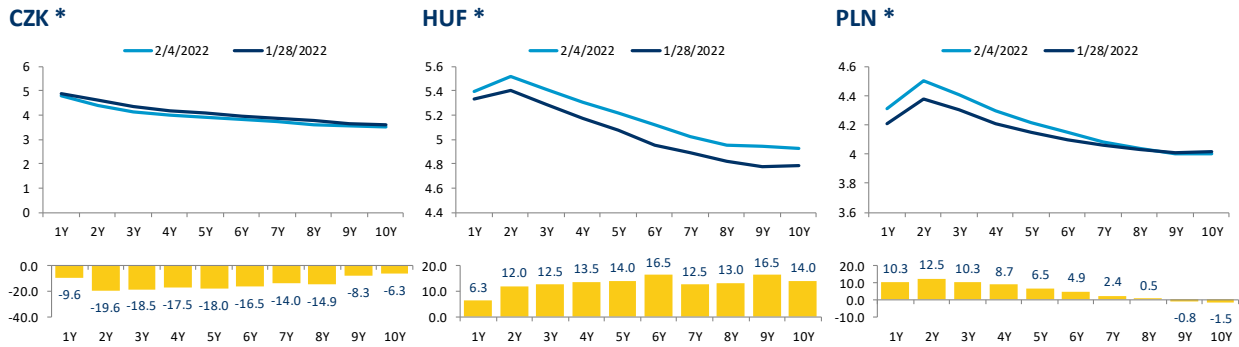
Hence, if the CNB policy matched its new forecast, it would mean a relatively quick return to a long-term neutral level around three percent, where official rates should get to perhaps as early as in 2023. This would be a relatively quick turnabout, nevertheless, it presumes that inflation and inflation expectations will be successfully brought under control quite fast.

From the point of view of the CNB, the forecast risks are quite significant and generally are slightly tilted to the upside (with regard to inflation). The forecast uncertainty is mainly related to the January price hikes of goods and the duration of the disruptions in global supply chains.

In our view, the CNB Bank Board has completed the major part of the tightening for the time being, with some space left for necessary fine-tuning. Nevertheless, unless the future reality extremely deflects from the staff forecast, the Bank Board will have to do de facto nothing in the very near future. However, taking into account the risks, Governor Rusnok also did not intend to send out a signal that this is the end of the hiking cycle or that there are some limits (for the repo rate level) that the CNB does not want to overstep.

Hence, the key figure in upcoming macro statistics will be the January inflation result, which will be revealed on February 14th. Nevertheless, as the staff forecast suggests, the CNB is inclined towards taking quite a pessimistic stand, so it does not have to be necessarily surprised (by a high figure).

## 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
HU	02/04	9:00	Industrial output	%	12/01/2021		-0.1	3.6	3.5	2.9	2.1	
PL	02/04	15:00	Budget balance	PLN M	12/01/2021					50381		
CZ	02/07	9:00	Trade balance (national)	CZK B	12/01/2021					5.7		
CZ	02/07	9:00	Industrial output	%	12/01/2021						4.5	
CZ	02/07	9:00	Construction output	%	12/01/2021						2.0	
CZ	02/08	9:00	Retail sales ex autos	%	12/01/2021						13.2	
HU	02/08	9:00	Trade balance	EUR M	12/2021 *P							
CZ	02/08	10:00	FX reserves of the CNB	EUR B	01/01/2022						152.5	
CZ	02/08	10:00	Unemployment rate 15-64	%	01/01/2022						3.5	
HU	02/08	11:00	Budget balance	HUF B	01/01/2022						-5101.5	
CZ	02/09	12:00	CZ bond auction 2020-2029, 0.05%	CZK B	02/01/2022				4			
CZ	02/09	12:00	CZ bond auction 2021-2032, 1.75%	CZK B	02/01/2022				6			
CZ	02/09	12:00	CZ bond auction 2020-2040, 1.50%	CZK B	02/01/2022				2			
PL	02/09	14:00	NBP meeting	%	02/01/2022						2.3	
HU	02/09	14:00	NBH minutes		01/01/2022							

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

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