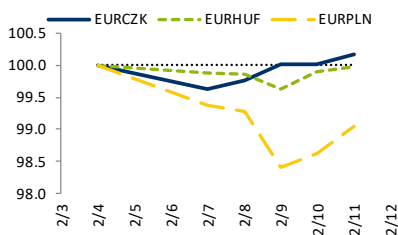




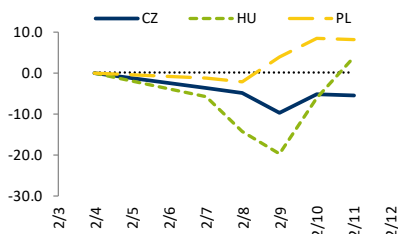
Friday, 11 February 2022

## Forex markets (index)



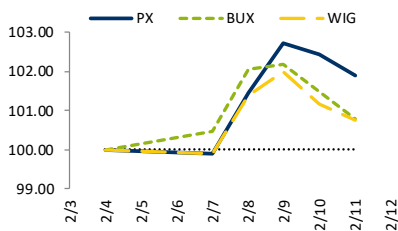
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.37	24.33	0.16
EURHUF	354.2	353.9	0.09
EURPLN	4.520	4.501	0.42

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.968	2.971	-0.3
HUGB 10Y	4.85	4.75	2.1
PLGB 10Y	3.96	3.97	-0.1

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1470.0	1477.6	-0.52
BUX	52220	52567	-0.66
WIG	67656	67940	-0.42

## Regional insights

## NBP's Glapinski and his hawkish zloty pivot

The Polish central bank completed its hawkish pivot when Governor Glapinski confirmed at a press conference on Wednesday that the NBP does indeed want the zloty to appreciate in the given macro situation. Glapinski even said that the NBP was considering that the central bank would stop converting euros that Poland receives from EU funds, which would inevitably strengthen the zloty. No wonder then that the EUR/PLN pair dipped below the 4.50 level.

Although the NBP President again did not give any hawkish impression suggesting aggressive rate hikes at the next meetings (by more than 50 bps), it is clear that monetary policy will be tightened further. Indeed, Mr Glapinski indicated that official rate hikes may continue for longer than the market is expecting. According to the NBP Governor, the NBP base rate may surpass 4.0% without hurting the economy. That's our view too.

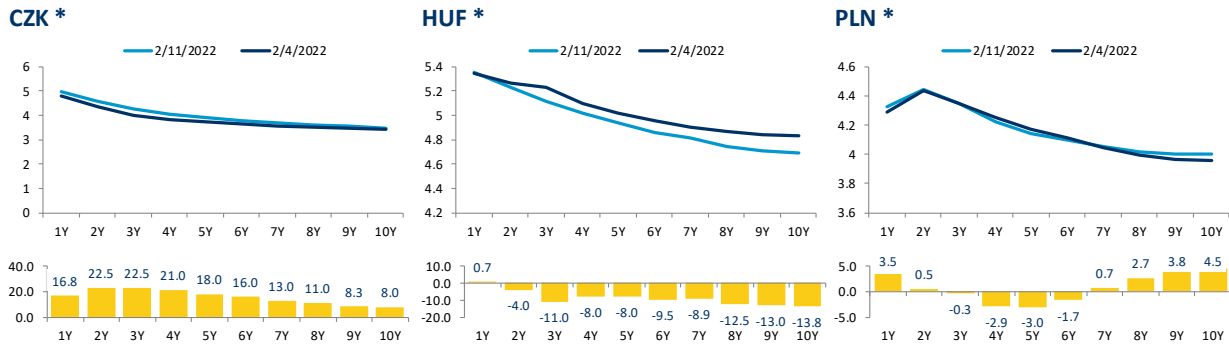
## Hype ahead of the Czech CPI print for January increases

The Czech yield curve has seen extreme volatility in recent days, with the market currently waiting nervously for January inflation data to be released on Monday. **The overall inflation hype has been even more elevated by a press conference announced by the Czech Statistical Office. It is scheduled for Monday morning (at 10:00, hence after the CPI release), while the topic of the press conference should be an explanation of the high inflation in the Czech Republic.**

So it is expected to be a high number on Monday morning, but it is very hard to estimate it. The key question is about the January energy price hike, which is also weighed down by uncertainty over the VAT re-introduction. In addition, it is not clear to what extent higher energy and fuel prices will also affect prices across a wider range of goods and services (hence January's effect of the price list change).

Our estimate of Czech January (YoY) inflation is conservative - below the 9% figure. If we are right, and the January inflation number is visibly lower than the CNB's estimate (9.4%), it may mean that we have already reached the peak in this hiking cycle in the Czech Republic. On the other hand, a double-digit surprise could keep the hawkish mood in the Bank Board a little longer and lead to the CNB hiking one more time in March (putting the repo rate close to 5%).

## 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	02/11	9:00	CPI	%	01/01/2022				1	7.4	0.3	7.4
CZ	02/11	9:00	CNB minutes		02/01/2022							
CZ	02/14	9:00	CPI	%	01/01/2022						0.4	6.6
CZ	02/14	10:00	Current account	CZK B	12/01/2021						-6.01	
PL	02/14	14:00	Current account	EUR M	12/01/2021						-1112	
PL	02/14	14:00	Trade balance	EUR M	12/01/2021						-632.00	
HU	02/15	9:00	GDP	%	4Q/2021 *P						0.7	6.1
PL	02/15	10:00	GDP	%	4Q/2021 *P						2.3	5.3
PL	02/15	10:00	CPI	%	01/01/2022						0.9	8.6
PL	02/15	15:00	Budget balance	PLN M	01/01/2022							
HU	02/17	9:30	One week deposit rate	%	02/01/2022							
PL	02/18	10:00	Wages	%	01/01/2022						10	11.2
PL	02/18	10:00	Industrial output	%	01/01/2022						-3	16.7
PL	02/18	10:00	PPI	%	01/01/2022						0.8	14.2

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