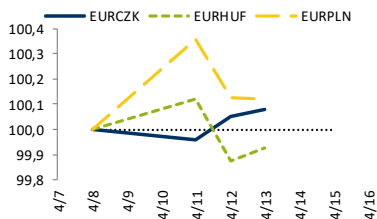




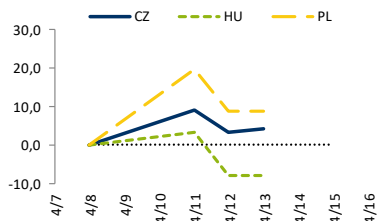
Wednesday, 13 April 2022

Forex markets (index)



	LAST	PREVIOUS	CHANGE (%)
EURCZK	24,45	24,44	0,03
EURHUF	377,8	377,6	0,05
EURPLN	4,643	4,644	-0,01

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4,082	4,073	0,9
HUGB 10Y	6,72	6,72	0,0
PLGB 10Y	6,11	6,11	0,0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1357,8	1357,8	0,00
BUX	41767	41767	0,00
WIG	63863	63863	0,00

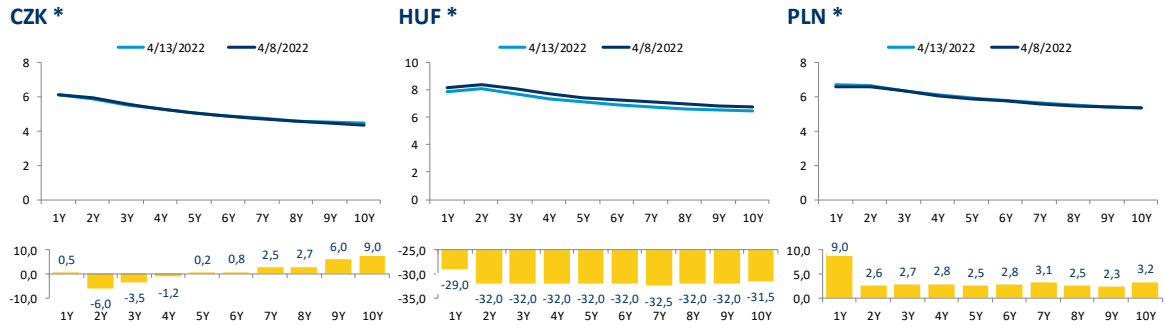
Our regional insights:

The Czech inflation is still heading to its peak, the CNB's official rates too

Inflation in the Czech Republic surprised on the upside once again in March, supporting our view that a tightening cycle would continue. Recall that consumer prices rose by 12.7% year-on-year, which is 2.9 percentage points above the central bank's latest winter forecast, and this is far from being an inflationary peak. We reckon that food and further energy price rises will still push inflation above 14% by the middle of this year while the downward progress afterwards will only be very gradual. Hence on average, inflation is likely to exceed 12% for the whole year, whereas the CNB's winter staff forecast predicted average inflation of 8.5%.

It is therefore not surprising that the Czech central bank remains in a hawkish mode, as the latest statements by central bankers, including the Minutes of the last meeting, reflect. The Minutes showed that the consensus in the hawkish camp is still quite clear and the five (out of seven) central bankers consider "restoring price stability soon as the CNB's absolute priority" and are "ready to continue raising interest rates". Differences in risk perception among the hawks appear to be small in this regard so far - all five hawks want to tighten monetary policy until they see that inflation expectations are well anchored. In our view, this means once the current inflation is near its peak (May or June) and when there is a first sign of a visible cooling in consumer demand and easing of labour market tightness. The most prominent hawks, according to the minutes, is probably Tomas Holub, while Tomas Nidetzky's views sounded a bit more cautious, questioning somewhat the sense of further significant rate hikes at a time when we see the first signs of cooling consumer sentiment and knowing that monetary transmission has a fairly significant lag. We continue to expect the central bank to hike rates by another 75bps - likely in one step at the May meeting linked to the new staff forecast. Then the CNB could pause its hiking cycle, while assuming it will see a more significant cooling in consumer sentiment (so far, the sharp drop in sentiment among consumers support this idea) and some slowdown in nominal wage growth (again, preliminary industry numbers point to this too).

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	04/13	10:00	Current account	CZK B 02/01/2022					-3,50		7,74	
PL	04/13	14:00	Current account	EUR M 02/01/2022					-2095		-64	
PL	04/13	14:00	Trade balance	EUR M 02/01/2022					-1503		-1186	
HU	04/14	9:00	One week deposit rate	% 04/01/2022					6,15		6,15	
PL	04/15	10:00	CPI	% 03/2022 *F							3,2	10,9
PL	04/19	14:00	Core CPI	% 03/01/2022							1,0	6,7
CZ	04/20	9:00	PPI	% 03/01/2022							2,2	21,3
CZ	04/20	12:00	CZ eurobond auction 2022-2024, 0.00%	EUR mil 04/01/2022					50-100			
CZ	04/20	12:00	CZ bond auction 2022-2024, floating rate	CZK B 04/01/2022					5			

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	Bratislava	+421 2 5966 8820
Jan Bureš	+420 2 6135 3574		
Bratislava Research (CSOB)		Budapest	
Marek Gabris	+421 2 5966 8809	Budapest	+36 1 328 99 85
Budapest Research			
David Nemeth	+36 1 328 9989		

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