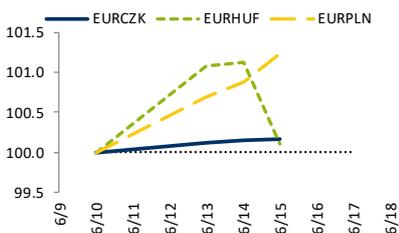




Central Europe
Wednesday

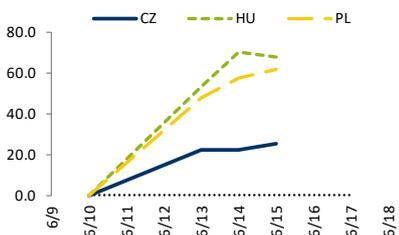
Wednesday, 15 June 2022

Forex markets (index)



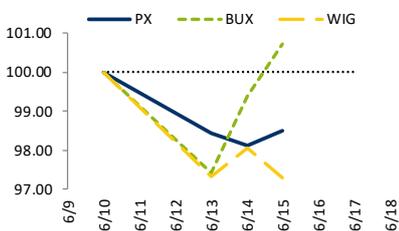
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.75	24.75	0.02
EURHUF	398.0	402.0	-1.01
EURPLN	4.677	4.661	0.35

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	5.502	5.466	3.6
HUGB 10Y	8.38	8.40	-0.3
PLGB 10Y	7.78	7.73	0.6

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1295.4	1290.4	0.39
BUX	39226	38706	1.34
WIG	52839	53247	-0.77

Our regional insights:

CE currencies under pressure ahead of the Fed

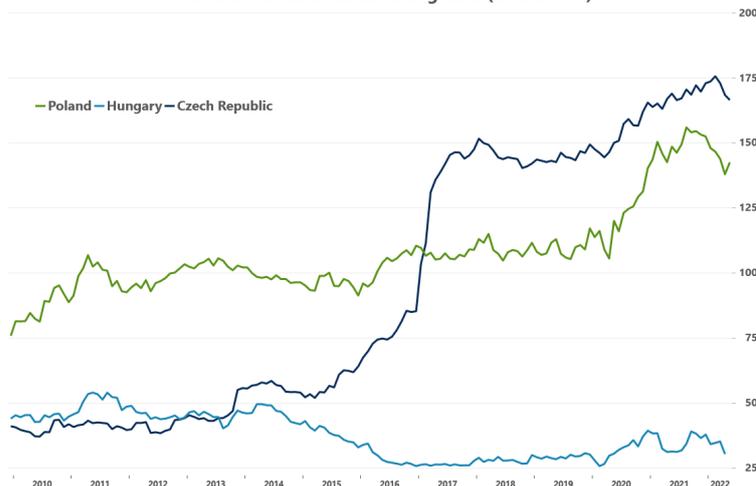
All Central European currencies have remained under pressure ahead of today's Fed meeting, although the picture looks quite different in respective regional forex markets.

The most stable has been the Czech koruna. EUR/CZK continued to hover around the 24.7 level, but the Czech National Bank has clearly been on the market, intervening in favour of the Czech currency. Hence, the nominal exchange rate has been quite stable, but the Czech central bank has been losing forex reserves. **We estimate that the CNB might lose several billions of euros per month.**

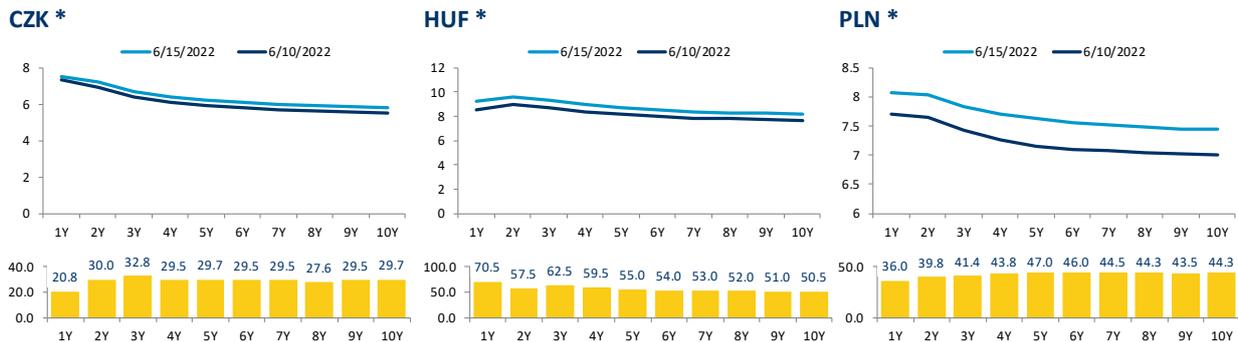
On the other side is the Hungarian forint, which has lost ground as EUR/HUF traded above the 400 level. The forint clearly looks as the regional currency most vulnerable to financial contagion from other emerging markets. It has been under pressure as interest rates in core markets skyrocketed. Since the NBH only has a limited amount of FX reserves, the only defence has been provided via hikes in official interest rates. In this respect, not only the outcome of today's Fed meeting will be crucial for the forint but also **tomorrow's decision of the NBH about the one-week deposit rate. This will provide an opportunity for the NBH to react to the Fed decision (if needed).**

The Polish zloty appears somewhere in the middle as the NBP uses an opportunistic approach. It has verbally supported its currency and continued to deliver significant rates hikes. The NBP also promised to intervene in the foreign exchange market. As a result – both zloty and FX reserve losses (of the NBP) have been relatively modest so far. Definitely, losses could be higher if risky assets deteriorate further. On the other hand, in such a scenario one could expect that the NBP will deliver another aggressive rate hike or/and might sell euros on the domestic forex market.

International Reserves excluding Gold (USD billion)



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	06/15	10:00	CPI	% 05/2022 *F			1.7	13.9			1.7	13.9
CZ	06/15	12:00	CZ bond auction 2022-2024, floating rate	CZK B 06/01/2022					3			
CZ	06/15	12:00	CZ bond auction 2022-2026, 6.00%	CZK B 06/01/2022					7			
CZ	06/15	12:00	CZ bond auction 2022-2035, 2.50%	CZK B 06/01/2022					2			
HU	06/15	14:00	NBH minutes	05/01/2022								
CZ	06/16	9:00	PPI	% 05/01/2022					2.0	27.9	2.3	26.6
HU	06/16	9:00	One week deposit rate	% 06/01/2022							6.75	
PL	06/17	14:00	Core CPI	% 05/01/2022					1.0	8.5	1.3	7.7
PL	06/21	10:00	Wages	% 05/01/2022							-0.6	14.1

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