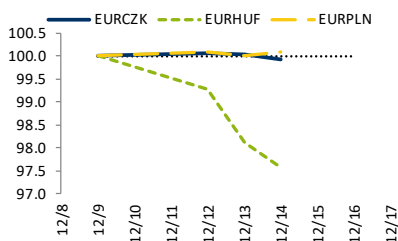




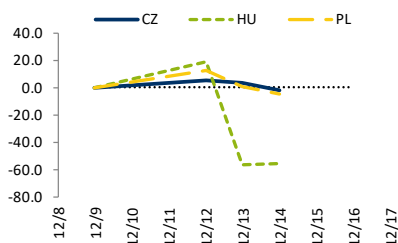
Wednesday, 14 December 2022

Forex markets (index)



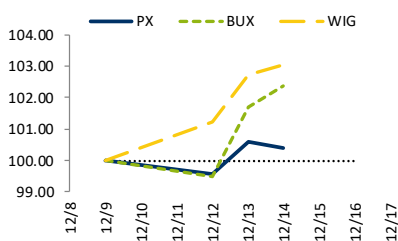
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.28	24.31	-0.09
EURHUF	408.7	411.0	-0.55
EURPLN	4.692	4.688	0.09

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.538	4.587	-4.9
HUGB 10Y	8.56	8.56	0.1
PLGB 10Y	6.39	6.45	-0.9

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1177.6	1180.2	-0.22
BUX	45228	44928	0.67
WIG	57529	57363	0.29

Our regional insights:

Two more doves in the CNB Bank Board?

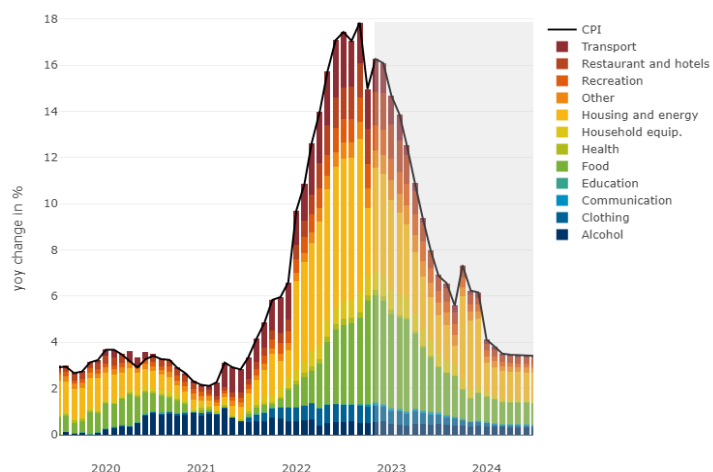
Czech President Milos Zeman should appoint two new members to the CNB Bank Board today at 15:00 CET. Although we do not have any favourite candidates in hands, we expect that the President will pick two names, which will co-operate with the recent dovish majority in the CNB Bank Board (effectively only one hawk will remain against other six dovish-leaning members after today's appointment).

Meanwhile, the Czech consumer prices rose 1.2% MoM in November, pushing the YoY rate up to 16.2% (from 15.1% in October). This is a slightly higher growth than both us and the market expected (0.7% mom and 15.8% YoY). Energy and food were the main drivers of the month-on-month inflation. Although there were no major surprises in other parts of the consumer basket, some core components grew more slowly than we expected (see the chart below).

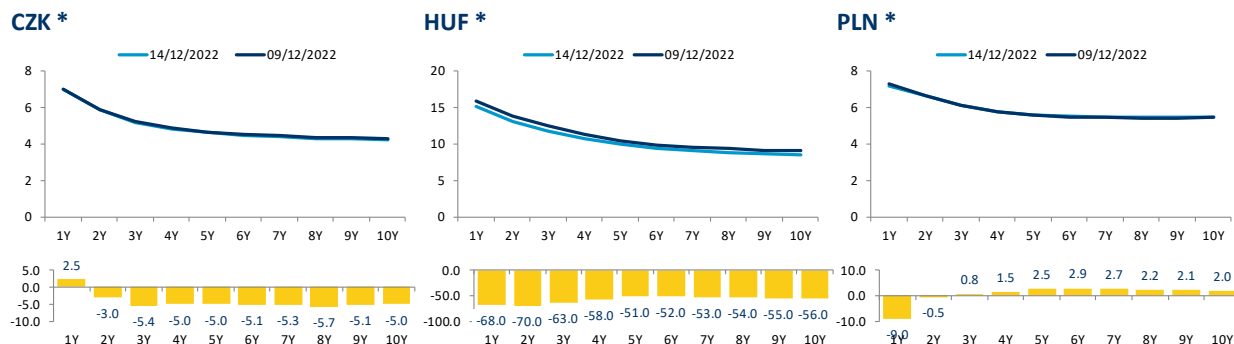
In the energy sub-basket, natural gas in particular rose in price (+14.1% MoM), while electricity prices were more or less stable postponing more significant price hikes till January 2023. In year-on-year comparison, the energy inflation accelerated due to the zero VAT on energy during last year. Food prices ended up rising slightly more than expected (+1.8% MoM), mainly due to further increases in prices of bakery and dairy products and, this time, also seasonally more expensive fruits. As expected, fuel prices declined, reflecting cheaper oil on the global markets.

By contrast, weaker month-on-month inflation momentum was recorded in the hospitality sector, which seems to stop fully reflect rising prices of food and energy. At the same time, we can see stagnation in imputed rents (the main driver of core inflation), which may put a cap on the core inflation dynamics.

Although the November inflation result had brought a slight upward surprise, the Czech markets had absorbed the result without major problems. In fact, the so-called core component fell slightly short of expectations, which, in our opinion, plays into the hands of the dovish majority in the Bank Board to keep interest rates unchanged at 7.0% next week. At the same time, we expect the Bank Board to confirm its commitment to hold the koruna steady.



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	12/14	10:00	Current account	CZK B	10/01/2022			-34.76		-31.25		-55.76	
CZ	12/14	12:00	CZ bond auction 2022-2028, 5.50%	CZK B	12/01/2022					3			
CZ	12/14	12:00	CZ bond auction 2021-2032, 1.75%	CZK B	12/01/2022					6			
CZ	12/14	12:00	CZ bond auction 2021-2037, 1.95%	CZK B	12/01/2022					1			
PL	12/14	14:00	Current account	EUR M	10/01/2022					-796		-1561	
PL	12/14	14:00	Trade balance	EUR M	10/01/2022					-2365		-2054	
PL	12/15	10:00	CPI	%	11/2022 *F							0.7	17.4
CZ	12/16	9:00	PPI	%	11/01/2022					0.3	23.0	0.6	24.1
PL	12/16	14:00	Core CPI	%	11/01/2022					0.6	11.2	1.0	11.0

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