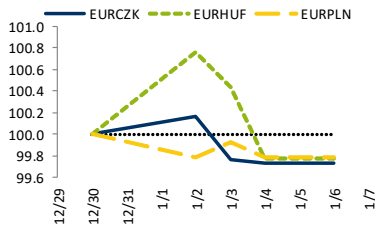




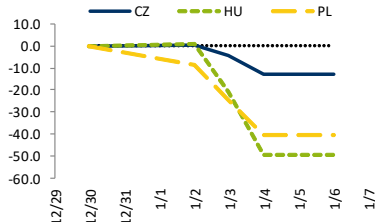
Friday, 06 January 2023

Forex markets (index)



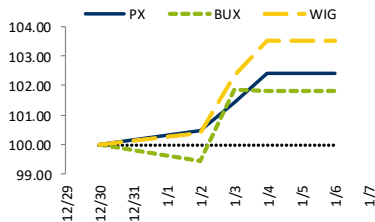
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.06	24.06	0.00
EURHUF	397.6	397.6	0.00
EURPLN	4.669	4.669	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.887	4.887	0.0
HUGB 10Y	8.56	8.56	0.0
PLGB 10Y	6.44	6.44	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1230.8	1230.8	0.00
BUX	44591	44591	0.00
WIG	59478	59478	0.00

Regional insights

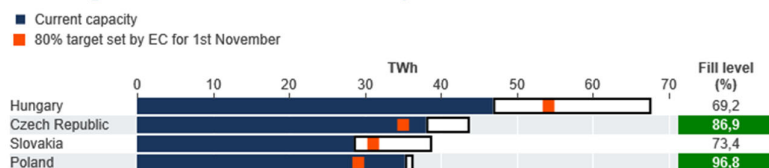
Warm winter helps the Czech koruna

The EUR/CZK pair briefly broke below the psychological threshold of 24 on Wednesday, showing that it has enjoyed a surprisingly positive sentiment at the beginning of the year. In our view, the main reason for the optimism remains the surprisingly warm weather in Europe, which has been pushing down energy prices in recent days and significantly reducing the likelihood of a further escalation of the energy crisis. As a result, the Czech gas inventories remain high and gas and electricity prices continue to fall further below the Czech government's guaranteed ceilings. No wonder that all Central European currencies like this weather. Meanwhile, the decline in EMU yields at the beginning of the year helped the koruna too. All in all, more favourable global environment combined with a firm CNB's commitment to defend the Czech currency are the main reasons for its surprising gains now.

However, global sentiment may yet see significant reversals and volatility – particularly in the first half of the year. Still, a significant part of the winter is ahead of us, so today's warm weather may change quickly (this winter is highly likely to be assured in terms of energy availability in Europe, but forward energy prices for next winter may be in play). Moreover, in our view, markets today are rather underestimating the willingness of both the Fed and the ECB to move rates higher in the first half of the year. The more hawkish policies of the major central banks may also then return occasional selling pressures to the Central European markets and reverse some gains in the Czech currency.

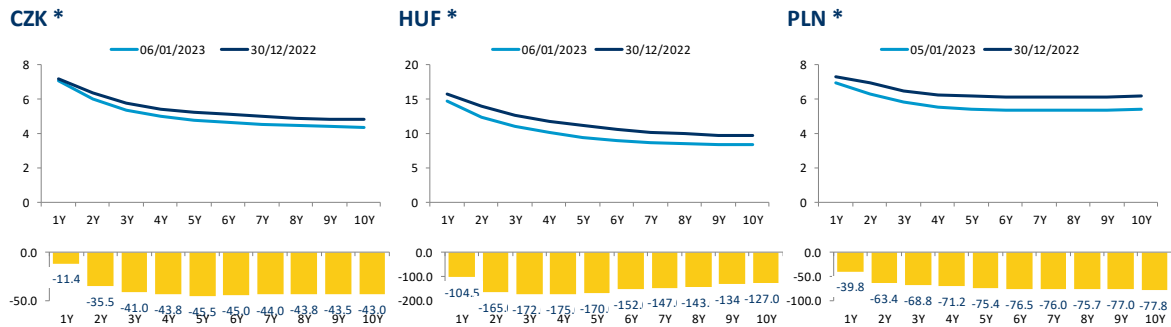
On the other hand, however, there is still CNB's commitment to defend the Czech currency against excessive losses – specifically to keep the EUR/CZK below the 24.70 level. The presence of this commitment will continue to blunt any attempts at significant losses and may thus keep the koruna well supported in the first half of the year. We should add that we expect the FX commitment could be lifted somewhere in the second half of the year - at a time when the CNB will be preparing for the first interest rate cut.

Natural gas inventories in Central Europe



Source: Gas Infrastructure Europe (GIE)

Interest-rate Swap Curves



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	01/06	8:30	Unemployment rate	%	11/01/2022			3.80		3.8		3.6	
HU	01/06	8:30	Retail sales	%	11/01/2022			0.6		1.8		0.6	
CZ	01/06	9:00	Trade balance (national)	CZK B	11/01/2022			-25.5		-12.0		-26.8	
CZ	01/06	9:00	Industrial output	%	11/01/2022			3.1	0.5	-1.40		2.9	
CZ	01/06	9:00	Construction output	%	11/01/2022							1.0	
HU	01/09	8:30	Industrial output	%	11/01/2022							-3.5	5.1
HU	01/09	8:30	Trade balance	EUR M	11/2022 *P							-923.0	
CZ	01/09	9:00	GDP	%	3Q/2022 *F							-0.2	1.7
CZ	01/09	9:00	Unemployment rate 15-64	%	12/01/2022							4	
CZ	01/09	10:00	FX reserves of the CNB	EUR B	12/01/2022							130.0	
HU	01/10	11:00	Budget balance	HUF B	12/01/2022							-3466.4	
CZ	01/11	9:00	CPI	%	12/01/2022							1.2	16.2
CZ	01/12	9:00	Retail sales ex autos	%	11/01/2022							-9.4	
HU	01/13	9:00	CPI	%	12/01/2022							2	22.5
CZ	01/13	10:00	Current account	CZK B	11/01/2022							-34.8	

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