

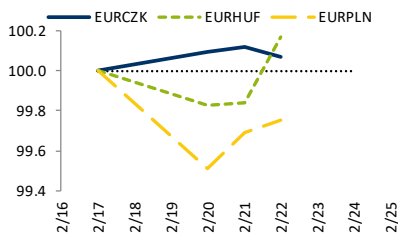
Central Europe Wednesday



Moving forward
together.

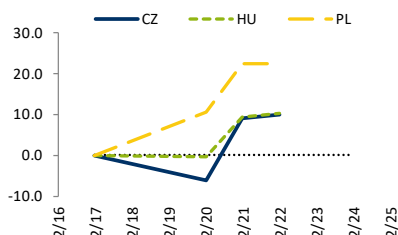
Wednesday, 22 February 2023

Forex markets (index)



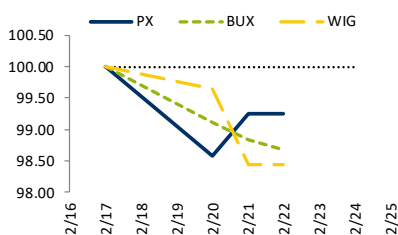
	LAST	PREVIOUS	CHANGE (%)
EURCZK	23.71	23.73	-0.05
EURHUF	384.2	383.0	0.33
EURPLN	4.751	4.748	0.06

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.869	4.860	0.9
HUGB 10Y	8.78	8.77	0.1
PLGB 10Y	6.67	6.67	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1388.7	1388.7	0.00
BUX	45027	45093	-0.15
WIG	59515	59515	0.00

Our regional insights:

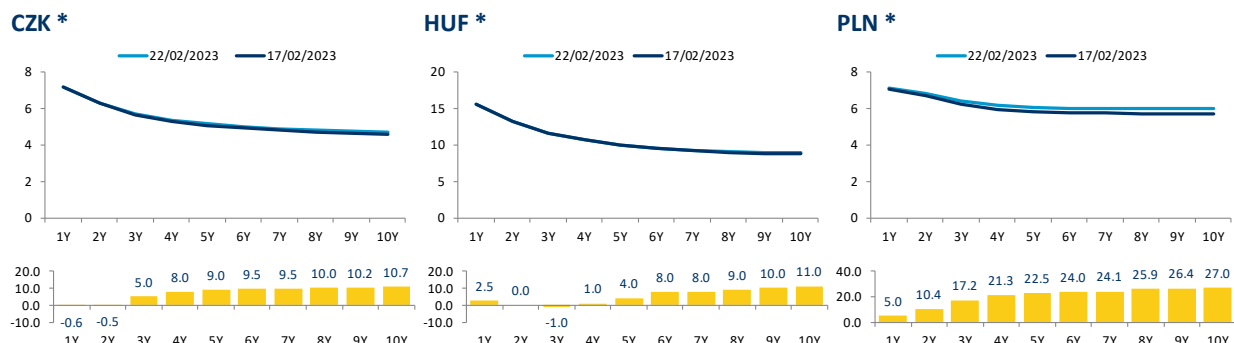
ČEZ shares buyout vs. higher Czech financing needs

The expected restructuring of the Czech energy giant ČEZ may theoretically move not only the Prague Stock Exchange significantly but may also have its macroeconomic effects. At the moment, nothing is clear in principle - we know that the Ministry of Finance is looking at various options for the future operation of CEZ, with the state wanting to gain more control over the energy infrastructure. If the state eventually decides to buy out the roughly 30% stake from minority shareholders, this could have (among other things) an impact on the financing needs of the Czech state and possibly on the foreign exchange market.

At current market prices, the theoretical cost of a 30% buyout could exceed CZK 200 billion, and this could significantly affect the Czech state's financing needs this year. While the additional state spending is unlikely (according to the ESA methodology) to translate into a higher public deficit, it would in any case lead to a higher financing need for the Czech state (and faster debt growth). This year is quite exceptional in that the Czech state is facing large repayments of its public debt (over CZK 350bn). And if we take into account the planned deficit for this year (CZK 295bn) and add another CZK 200bn for the CEZ buyout, this would mean that the Czech state will have to borrow around 11.5% of GDP on the markets this year. This is more than in the record deficit year 2021 but this time the Czech state faces much higher interest rates.

From the perspective of the foreign exchange market, the impact of the eventual restructuring of CEZ is far less clear. If the above mentioned 30% buyout (from minority shareholders) were to take place, betting on such a move may itself be positive for the koruna simply by attracting speculative players from abroad to the Czech capital market. However, the sale of the company itself may then lead to an outflow of a significant portion of the invested foreign capital back. In addition, although traded volumes in CEZ shares are increasing, overall they lag significantly behind the daily volumes traded on the foreign exchange market. Therefore, we continue to assume that the key for the koruna will be to monitor the overall global market sentiment and then the size of the positive interest rate differential between CZK rates and EUR (or USD) respectively. Last but not least, it is also about the CNB's willingness to continue to maintain its (forex) commitment to support the koruna (informally below EUR/CZK 24.70).

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	02/22	12:00	CZ bond auction 2022-2028, 5.50%		CZK B 02/01/2023					8			
CZ	02/22	12:00	CZ bond auction 2021-2032, 1.75%		CZK B 02/01/2023					6			
CZ	02/22	12:00	CZ bond auction 2022-2035, 2.50%		CZK B 02/01/2023					3			
PL	02/22	14:00	Money supply M3	%	01/01/2023					-0.7	5.8	0.4	5.4
HU	02/23	8:30	Wages	%, ytd.	12/01/2022								16.8
PL	02/23	10:00	Unemployment rate	%	01/01/2023					5.2		5.2	
HU	02/24	8:30	Unemployment rate	%	01/01/2023					4.0		3.9	
CZ	02/28	9:00	PPI	%	01/01/2023							-1.1	20.1
PL	02/28	10:00	GDP	%	4Q/2022 *F							-2.4	2.0

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