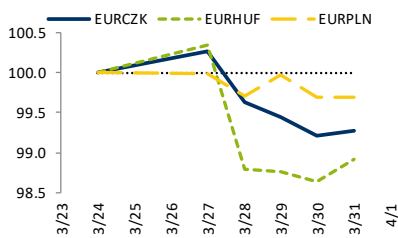
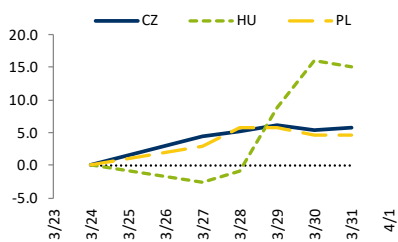


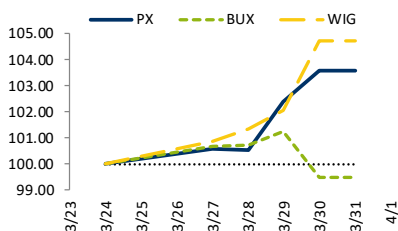
Friday, 31 March 2023

**Forex markets (index)**

	LAST	PREVIOUS	CHANGE (%)
EURCZK	23.53	23.52	0.07
EURHUF	381.2	380.1	0.29
EURPLN	4.675	4.675	0.01

**Gov. bonds 10 Y (bps change)**

	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.583	4.579	0.4
HUGB 10Y	8.40	8.41	-0.1
PLGB 10Y	6.05	6.05	0.0

**Equity indices (index)**

	LAST	PREVIOUS	CHANGE (%)
PX	1336.7	1336.7	0.00
BUX	41604	41604	0.00
WIG	58665	58665	0.00

**Regional insights****The CNB rejects early rate cut bets**

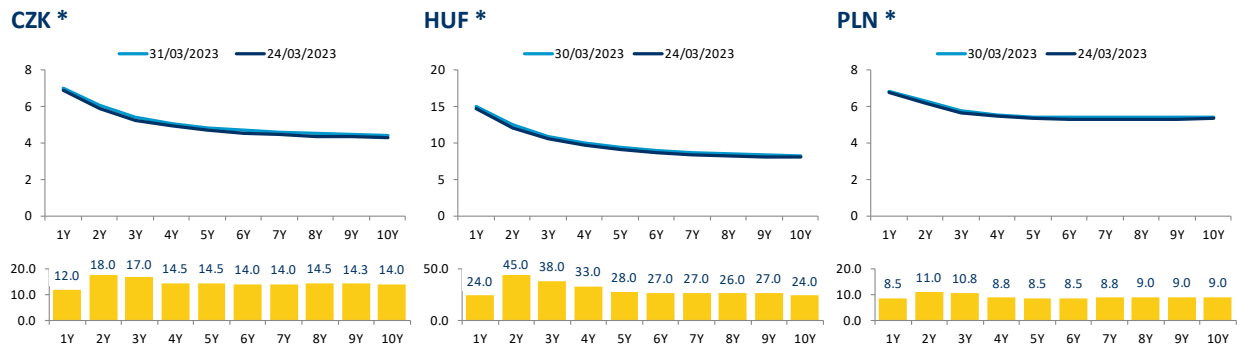
As expected, the Czech National Bank left interest rates unchanged on Wednesday while delivering a hawkish comment, which the Czech koruna really liked. The key message was as follows - **the CNB Bank Board does not like the markets' current bets on early rate cuts (the first cut was already priced-in the 3M horizon - i.e. in June)**. Governor Ales Michl stressed several times in his speech that ČNB rates can still theoretically go up further. The Bank Board is likely to be particularly sensitive to wage dynamics - the double-digit wage growth in industry and construction at the beginning of this year is seen by Czech central bankers as a risk and will be discussed in more detail in May in connection with the new staff forecast, according to the Governor. Thus, according to Ales Michl, the Board will continue to consider coming growth and inflation signals. On the other hand, Czech central bankers see a sharper cooling of consumer and investment demand as a counter-inflationary risk - the CNB was surprised by a slightly more pronounced drop in consumption at the end of 2022.

All in all, we continue to see further rate hikes in the Czech Republic as unlikely. Regardless of market expectations, we have long been communicating a first rate cut only at the end of this year (Q4 2022) when inflation will be close to the CNB's repo rate. At the same time, we believe that rates may go down relatively quickly (to 6.00% at the end of 2023 and to 3.50% at the end of 2024) after the monetary policy cycle turns. Indeed, persistently **lower energy prices improve our medium-term inflation outlook - increasing the likelihood that inflation will fall close to the Czech central bank's target in early 2024**. However, we agree with the CNB that the risks and uncertainties associated with the inflation outlook remain high and the central bank should therefore not rush to reverse monetary policy.

**The Polish core inflation ticked higher in March**

The Polish headline inflation has slowed in March as fuel, gas and electricity prices have fallen on month-on-month basis (the fuel price was flat even in year-on-year terms). On the other hand, food prices have continued to rise briskly (2.3% MoM, 24% YoY). All in all, it is obvious that the headline inflation clearly reached its peak already in February (18.4 % YoY) and it should slide only lower (from the March figure of 16.2% YoY). On the other hand, **the core inflation has probably ticked slightly higher in March (to around 12.2 % YoY), so it is too early to celebrate that the inflation fight has been won in Poland**. No wonder that the front-end of the Polish yield curve has moved higher after the March flash CPI release.

## 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
HU	03/31	8:30	PPI	% 02/01/2023			-2.2	29.0			0.8	35.0
HU	03/31	8:30	Trade balance	EUR M 01/2023 *F			-413				-165	
CZ	03/31	9:00	GDP	% 4Q/2022 *F			-0.4	0.3	-0.4	0.2	-0.4	0.2
CZ	03/31	10:00	Money supply M2	% 02/01/2023				6.9				6.3
PL	03/31	10:00	CPI	% 03/2023 *P			1.1	16.2	1.1	16.0	1.2	18.4
PL	03/31	15:00	Budget balance	PLN M 02/01/2023							11232	
HU	04/03	9:00	PMI manufacturing	03/01/2023							56.5	
PL	04/03	9:00	PMI manufacturing	03/01/2023							48.5	
CZ	04/03	9:30	PMI manufacturing	03/01/2023							44.3	
CZ	04/03	14:00	Budget balance	CZK B 03/01/2023							-119.7	
HU	04/05	8:30	Industrial output	% 02/01/2023							-5.1	-3.2
CZ	04/05	9:00	Retail sales ex autos	% 02/01/2023								-7.7
PL	04/05	16:00	NBP meeting	% 04/01/2023							6.8	
HU	04/06	8:30	Retail sales	% 02/01/2023								-4.5
HU	04/06	8:30	Trade balance	EUR M 02/2023 *P								

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