



Regional insights

Koruna's matrix for CNB's and ECB's meetings

The Czech koruna has settled in the EUR 23.40-23.50/CZK range over the past week and remains in a wait-and-see mode ahead of important events next week. These will include the CNB, ECB and Fed meetings as well as the Q1 GDP results. Hence, we expect more volatility from the koruna next week related to the outcome of the monetary policy meetings of the CNB and the ECB.

In our baseline case scenario, we continue to count on rate stability in the Czech Republic and accompanying hawkish commentary, while in the eurozone we rather see a slowdown in the pace of rate hikes to +25bps. This could give the koruna a gentle push to slightly stronger levels. However, should the CNB's come with a surprising 25bps hike combined with ECB's 25bps rate hike, then the Czech currency could reach even much stronger levels (from a technical perspective, the EUR/CZK can slip to the 23.00 level).

On the other hand, there is also a scenario on the table where the ECB surprises with a +50bps rate hike while the CNB stay on hold. This outcome could put the koruna under downward pressure. Finally, one can imagine another scenario where both the ECB (+50bps) and the CNB (+25bps) surprise markets with strongly hawkish moves. This could be broadly neutral for the koruna (see the matrix below).

Let's add that the domestic macro calendar is also packed with the Czech GDP for 2023Q1 result (we expect -0.3% QoQ vs. CNB's -0.9%), as well as the state budget implementation for April, being particularly relevant for some CNB's Bank Board members. In both cases, the data will be released on May 2nd - one day before the CNB's monetary policy meeting.

| Possible EUR/CZK reactions to CNB/ECB meetings' outcomes: | | | |
|---|--------|----------------|----------------------|
| | | ČNB | |
| | | No change | +25bps |
| ECB | +25bps | EURCZK bearish | EURCZK super-bearish |
| | +50bps | EURCZK bullish | EURCZK flat |

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 | 04/28 | 8:30 | Unemployment rate | % | 03/01/2023 | | | 4.0 | | 4.1 | | 4.0 | |
| PL | 04/28 | 10:00 | CPI | % | 04/2023 *P | | | 0.7 | 14.7 | 15.0 | | 1.1 | 16.1 |
| CZ | 04/28 | 10:00 | Money supply M2 | % | 03/01/2023 | | | 6.7 | | | | 6.9 | |
| HU | 05/02 | 8:30 | PPI | % | 03/01/2023 | | | | | | | -2.2 | 29.0 |
| HU | 05/02 | 8:30 | Trade balance | EUR M | 02/2023 *F | | | | | | | 513.0 | |
| CZ | 05/02 | 9:00 | GDP | % | 1Q/2023 *A | | | | | | | -0.4 | 0.3 |
| HU | 05/02 | 9:00 | PMI manufacturing | | 04/01/2023 | | | | | | | 55.3 | |
| PL | 05/02 | 9:00 | PMI manufacturing | | 04/01/2023 | | | | | | | 48.3 | |
| CZ | 05/02 | 9:30 | PMI manufacturing | | 04/01/2023 | | | | | | | 44.3 | |
| CZ | 05/02 | 14:00 | Budget balance | CZK B | 04/01/2023 | | | | | | | -166.2 | |
| CZ | 05/03 | 14:30 | CNB meeting | % | 05/01/2023 | | | | | | | 7 | |
| HU | 05/05 | 8:30 | Industrial output | % | 03/01/2023 | | | | | | | 0.3 | -4.6 |
| HU | 05/05 | 8:30 | Retail sales | % | 03/01/2023 | | | | | | | -10.1 | |
| CZ | 05/05 | 9:00 | Retail sales ex autos | % | 03/01/2023 | | | | | | | -6.4 | |

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