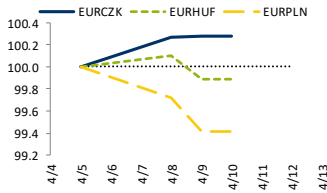


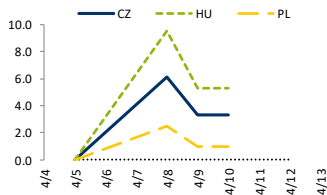
Wednesday, 10 April 2024

Forex markets (index)



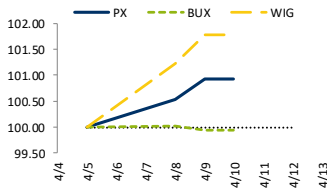
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.37	25.37	0.00
EURHUF	388.8	388.8	0.00
EURPLN	4.256	4.256	0.00

Gov. bonds 10Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.060	4.060	0.0
HUGB 10Y	6.86	6.86	0.0
PLGB 10Y	5.55	5.55	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1539.7	1539.7	0.00
BUX	66491	66491	0.00
WIG	85136	85136	0.00

Our regional insights:

Czech inflation held steady at 2% in March

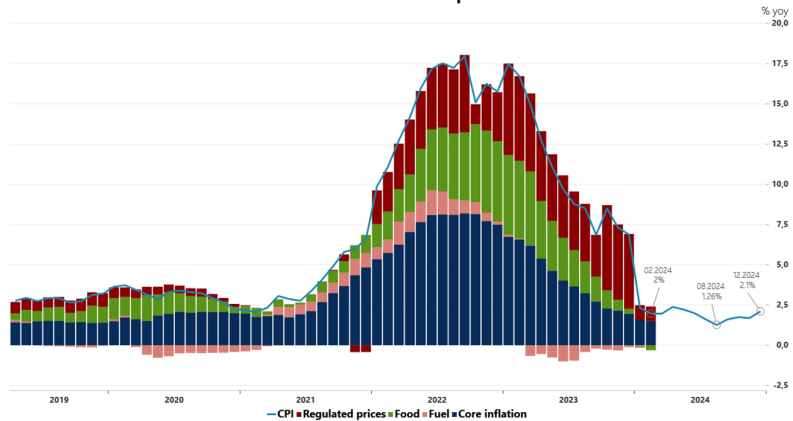
Czech headline inflation remained at 2.0% in March, with prices rising only marginally by 0.1% month-on-month. This is in line with our and the market's expectations and 0.9 percentage points below the CNB's latest staff forecast.

However, the stories within the consumer basket remain very different. In particular, food prices continue to drive the relatively strong disinflation this year, down 5.9% YoY, and virtually all food categories (led by dairy) continued to fall m-o-m in January. At the same time, some energy (gas) and household equipment became cheaper on a month-on-month basis. In addition, travel prices also fell, but by less than seasonal for this time of year. Thus, inflation momentum in the recreation and culture sector and in services in general remains high (apart from recreation and hospitality, it is high, for example, in market rents).

On the other hand, owners' equivalent rent of residences (or a so-called imputed rent) has stopped accelerating - which should eventually lead to a slight slowdown in core inflation (to be published by the CNB in the afternoon). We expect headline inflation to remain relatively stable in the coming months, falling back to close to 1.5% YoY in the summer (thanks to the benchmark base). Towards the end of the year, it should again be slightly above the CNB's 2% target.

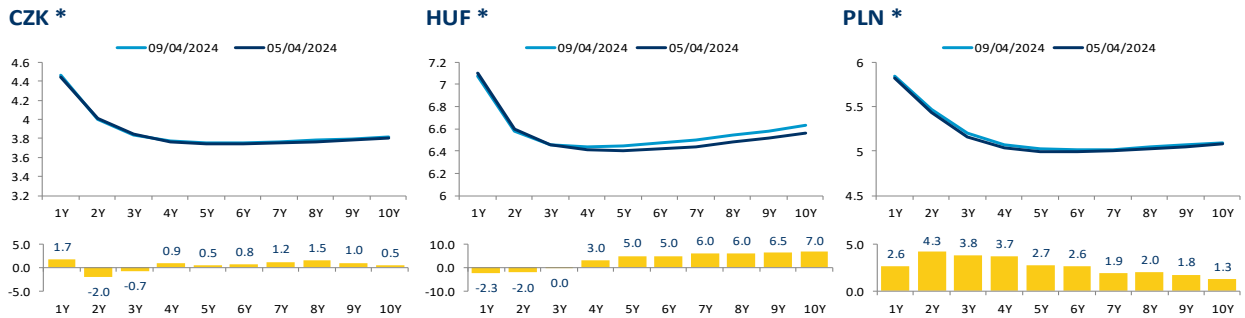
Nevertheless, nothing major will change the CNB's cautious approach for the time being - in the consumer basket, almost 50% of items still show inflation above 3% (the above-mentioned food is a significant positive factor) and business inflation expectations remain relatively high (4.1%) despite their recent decline. We therefore expect the central bank to cut rates by 50bps in the next few meetings and by 25bps from September to 3.50% at the end of the year.

Czech Inflation Decomposition



Source: CSOB with use of CNB, CZSO

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). Source for all market data: Bloomberg

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	04/10	9:00	CPI	%	03/2024	0.1	1.9	0.1	2.0	0.1	2.0	0.3	2.0
CZ	04/10	12:00	CZ bond auction 2022-2028, 5.50%	CZK B	04/2024					3			
CZ	04/10	12:00	CZ Bond auction 2023-2032, 4.50%	CZK B	04/2024					3			
CZ	04/10	12:00	CZ bond auction 2020-2040, 1.50%	CZK B	04/2024					1			
HU	04/10	14:00	Minutes of the monetary policy meeting	NBH	03/2024								
HU	04/11	8:30	CPI	%	03/2024					0.7	3.6	0.7	3.7
CZ	04/12	10:00	Current account	CZK B	02/2024					11.75		6.85	
PL	04/12	14:00	Current account	EUR M	02/2024					704		1179	
PL	04/12	14:00	Trade balance	EUR M	02/2024					609		1286	

Contacts

Brussels Research (KBC)		Global Sales Force	
Mathias van der Jeugt	+32 2 417 51 94	Brussels	
Peter Wuyts	+32 2 417 32 35	Corporate Desk	
Mathias Janssens	+32 2 417 51 95	Institutional Desk	
		France	
		London	
		Singapore	
Prague Research (CSOB)		Prague	
Jan Čermák	+420 2 6135 3578	Prague (Equities)	
Jan Bureš	+420 2 6135 3574		
Bratislava Research (CSOB)		Bratislava	
Marek Gabris	+421 2 5966 8809		
Budapest Research		Budapest	
David Nemeth	+36 1 328 9989		

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