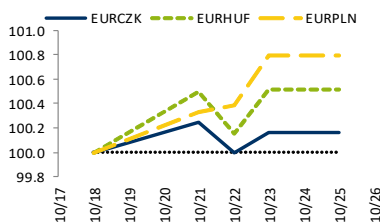




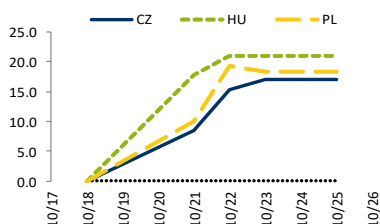
Friday, 25 October 2024

Forex markets (index)



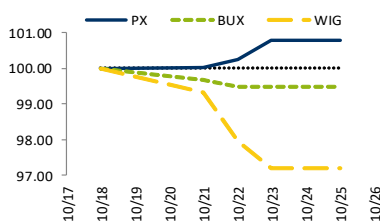
| | LAST | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 25.25 | 25.25 | 0.00 |
| EURHUF | 401.8 | 401.8 | 0.00 |
| EURPLN | 4.339 | 4.339 | 0.00 |

Gov. bonds 10 Y (bps change)



| | LAST | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 4.100 | 4.100 | 0.0 |
| HUGB 10Y | 6.79 | 6.79 | 0.0 |
| PLGB 10Y | 5.75 | 5.75 | 0.0 |

Equity indices (index)



| | LAST | PREVIOUS | CHANGE (%) |
|-----|--------|----------|------------|
| PX | 1640.2 | 1640.2 | 0.00 |
| BUX | 73846 | 73846 | 0.00 |
| WIG | 80347 | 80347 | 0.00 |

Regional insights

Are Central European assets a victim of the Trump trade?

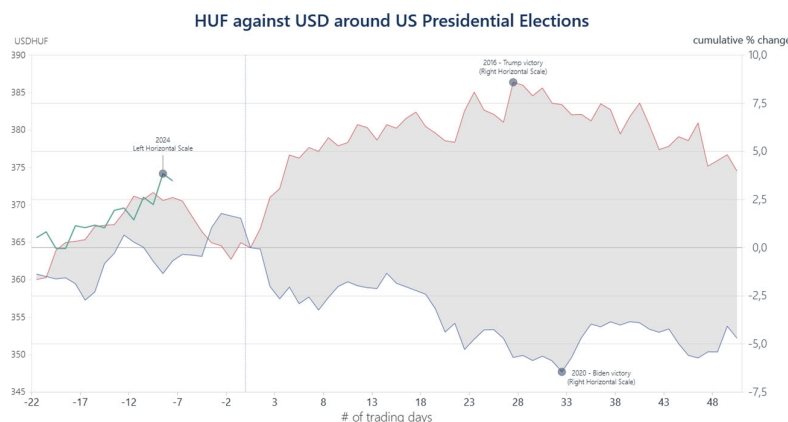
Central European financial assets, including government bonds and currencies (the stable Czech koruna is the only exception), have currently come under selling pressure. Looming US elections, which are generating several negative spillover effects for the region, may hover over the losses, which are among the highest in the world over the past week. These are related to the fact that markets see as increasingly likely a post-election scenario in which the Republicans take control not only of the White House but also of the entire Congress, so that they will be able to implement their expansive fiscal promises.

First and foremost among these will be the extension (or cancellation) of the 2018 tax cuts, which are due to expire in 2025. The result will be an increase in the deficit and therefore in the debt and supply of US government bonds. The market is already preparing for this eventuality and so USD rates are rising, triggering short-term capital outflows from higher-yielding currencies. And this is exactly why the forint and the zloty are already suffering.

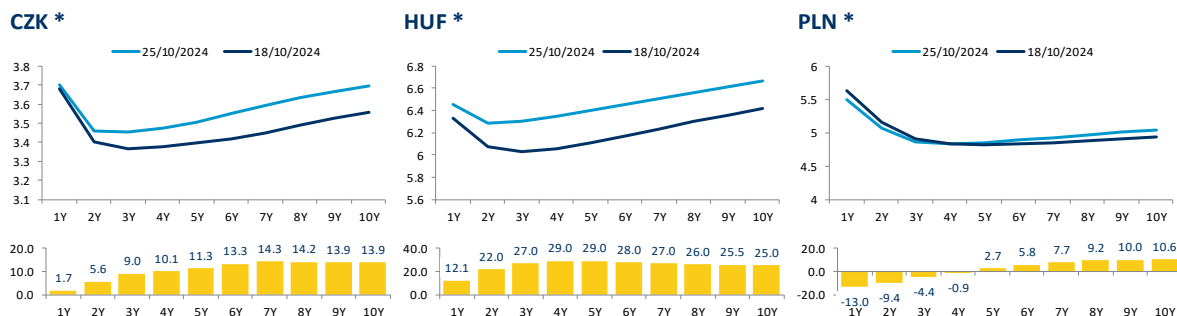
Second, if Donald Trump is in office in 2025, the whole world faces the threat of universal tariffs imposed on imports to the US (a starting proposal is 10%, but it might jump even to 20%). While the exports of Central European economies to the US are relatively low, so the direct impact of tariffs should be negligible, it would be another negative hit for these small open economies in a situation where the regional (automotive) industry faces a significant structural challenge. Add to this the fact that Trump intends to impose 60% tariffs on Chinese imports. This may result in cheap production from the middle kingdom pushing all the more aggressively into other markets (in the EU) and squeezing out (for example) Central European competitors.

Finally, a major political change in the White House, or even in the composition of the Congress, also contains an element of geopolitical uncertainty tied in particular to Central Europe. It will be a question of how Republican-led America will confront the Russian-Ukrainian war conflict. This may, of course, increase risk premiums on regional assets.

With less than two weeks to go before the elections, Central European markets could still face more headwinds. Overall, today's situation is very reminiscent of 2016, when Donald Trump surprisingly won the election and regional assets also came under pressure for some time (see the example of the HUF below).



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 | 10/25 | 8:30 | Unemployment rate | % | 09/2024 | | | 4.5 | | 4.2 | | 4.2 | |
| HU | 10/30 | 8:30 | GDP | % | 3Q/2024 *P | | | | | | | -0.2 | 1.5 |
| CZ | 10/30 | 9:00 | GDP | % | 3Q/2024 *A | | | | | | | 0.4 | 0.6 |
| HU | 10/31 | 8:30 | PPI | % | 09/2024 | | | | | | | 1.3 | 3.0 |
| HU | 10/31 | 8:30 | Trade balance | EUR M | 08/2024 *F | | | | | | | 671 | |
| PL | 10/31 | 10:00 | CPI | % | 10/2024 *P | | | | | | | 0.1 | 4.9 |
| CZ | 10/31 | 10:00 | Money supply M2 | % | 09/2024 | | | | | | | | 5.8 |
| HU | 11/01 | 9:00 | PMI manufacturing | | 10/2024 | | | | | | | 49.7 | |
| CZ | 11/01 | 9:30 | PMI manufacturing | | 10/2024 | | | | | | | 46.0 | |
| CZ | 11/01 | 14:00 | Budget balance | CZK B | 10/2024 | | | | | | | -181.8 | |

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 | | +32 2 417 45 82 |
| Mathias Janssens | +32 2 417 51 95 | | Institutional Desk | | +32 2 417 46 25 |
| | | | France | | +32 2 417 32 65 |
| | | | London | | +44 207 256 4848 |
| | | | Singapore | | +65 533 34 10 |
| Prague Research (CSOB) | | | Prague | | +420 2 6135 3535 |
| Jan Čermák | +420 2 6135 3578 | | Prague (Equities) | | +420 2 2142 4216 |
| Jan Bureš | +420 2 6135 3574 | | | | |
| Bratislava Research (CSOB) | | | Bratislava | | +421 2 5966 8820 |
| Marek Gabris | +421 2 5966 8809 | | | | |
| Budapest Research | | | Budapest | | +36 1 328 99 85 |
| David Nemeth | +36 1 328 9989 | | | | |

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