

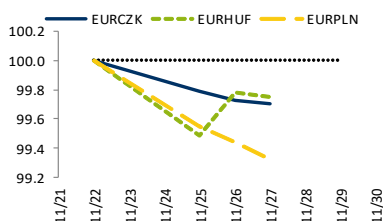
Central Europe Wednesday



Moving forward
together.

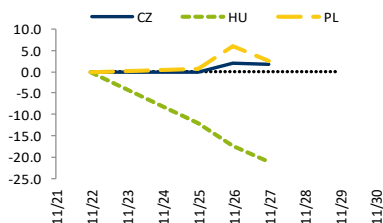
Wednesday, 27 November 2024

Forex markets (index)



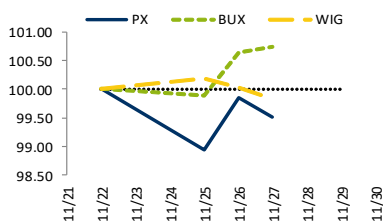
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.28	25.28	-0.02
EURHUF	410.7	410.9	-0.03
EURPLN	4.305	4.310	-0.12

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.974	3.976	-0.2
HUGB 10Y	6.31	6.35	-0.6
PLGB 10Y	5.60	5.64	-0.6

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1689.0	1694.7	-0.34
BUX	80138	80056	0.10
WIG	79359	79523	-0.21

Our regional insights:

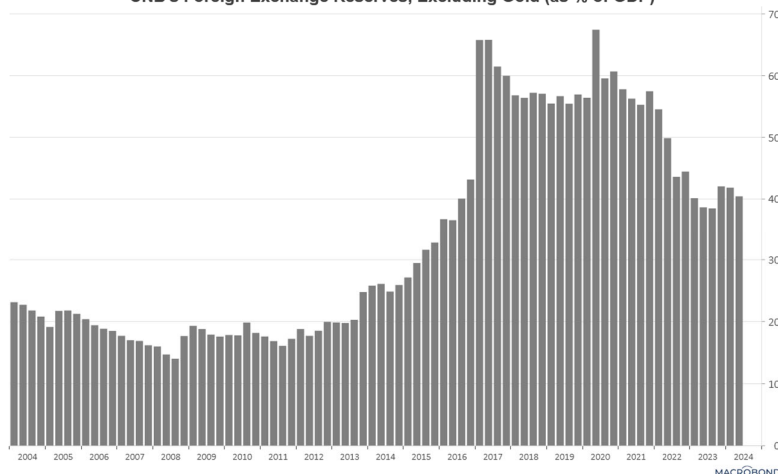
IMF suggests stronger sales of Czech FX reserves

An IMF mission visited the Czech Republic in recent weeks and more or less praised the Czech central bank for its monetary easing so far. However, unlike the majority of the CNB Bank Board, it seems to see the future risks associated with lower growth rather than unanchored inflation. That is also why they recommend that central bankers continue to cut interest rates so that by the middle of next year, interest rates are anchored near a neutral rate that neither hinders nor stimulates the economy. Again, like the CNB's expert apparatus, it sees this rate close to 3%. The Bank Board itself has so far spoken of a higher rate in the vicinity of 3.5%, although in recent months central bankers have been emphasising the high uncertainty in this respect.

The bottom line is that the IMF recommends that rates in the Czech Republic continue to be lowered gradually, which we also subscribe to, with the terminal level being slightly higher. At the same time, the IMF emphasises the need to return to a forward-looking based monetary policy on inflation forecasts and to react less to the latest incoming figures. Simply put, with inflation expectations well anchored, the CNB should no longer be upset by temporary increases in inflation caused by factors outside its control - for example, food or fuel prices.

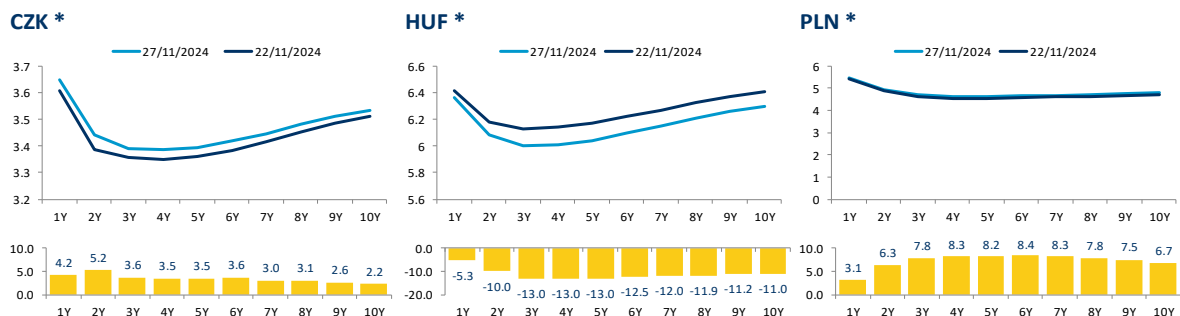
Last but not least, the mission from Washington gives Czech central bankers an interesting idea on how to deal with its huge balance sheet (which is on the asset side represented by FX reserves – see the chart below). It suggests accelerating sales of foreign exchange reserves very slowly and carefully. If such a scenario were to occur, the Czech koruna might wake up from its lethargy after some time and try to defy adversity (the risk of trade wars and high USD rates/yields).

CNB's Foreign Exchange Reserves, Excluding Gold (as % of GDP)



MACROBOND

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
PL	11/27	10:00	Unemployment rate	%	10/2024			4.9		5.0		5.0	
CZ	11/27	12:00	CZ eurobond auction 2024-2027, 0.00%	EUR mil	11/2024					500			
CZ	11/27	12:00	CZ bond auction 2022-2030, 5.00%	CZK B	11/2024					5			
CZ	11/27	12:00	CZ bond auction 2023-2034, 4.90%	CZK B	11/2024					5			
PL	11/28	10:00	GDP	%	3Q/2024 *F							-0.2	2.7
HU	11/29	8:30	Unemployment rate	%	10/2024					4.5		4.5	
HU	11/29	8:30	PPI	%	10/2024							-0.4	0.9
CZ	11/29	9:00	GDP	%	3Q/2024 *P					0.3	1.3	0.3	1.3
CZ	11/29	10:00	Money supply M2	%	10/2024								5.4

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