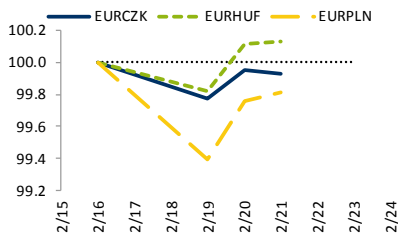




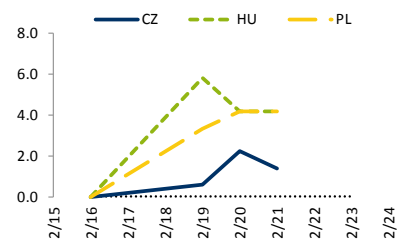
Wednesday, 21 February 2018

Forex markets (index)



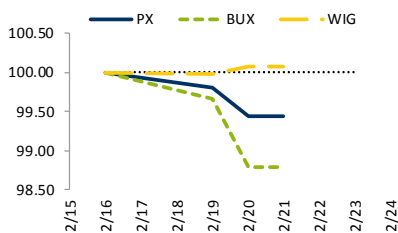
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.34	25.34	-0.02
EURHUF	312.0	312.0	0.02
EURPLN	4.153	4.151	0.05

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.882	1.890	-0.8
HUGB 10Y	2.57	2.57	0.0
PLGB 10Y	3.50	3.50	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1106.1	1106.1	0.00
BUX	38667	38667	0.00
WIG	62859	62859	0.00

Our regional insights:

Czech Republic still without regular government

Four months after parliamentary elections, The Czech Republic still does not have a regular government, which would be backed by the parliament. Hence, Prime Minister in resignation Babis (and the leader of the biggest party ANO) still tries to negotiate fresh support for his minority government. He will meet with new leadership of Social Democrats (CSSD), who elected their new leaders on Sunday. Nevertheless, the CSSD - like some other centre and right-wing parties - is still facing the dilemma of whether to form a government with Babis, who is burdened by his prosecution over a suspected fraud (of receiving EU subsidies).

Nevertheless other options how to get the support for a new government are not very pleasant. Mr Babis can either bet on the Communists or on the anti-migrant SPD party, which proposes direct democracy driven by referendums. That is also why some local media speculated that the so-called Czexit scenario cannot be ruled out in future. However, **Babis just recently said that he would not agree with any referendum bill that would allow vote on EU membership. Moreover, the referendum about EU's membership must be approved by both Chambers of the Czech parliament with 60% support, which is almost impossible to get (especially in the case of the Senat - the upper Chamber).**

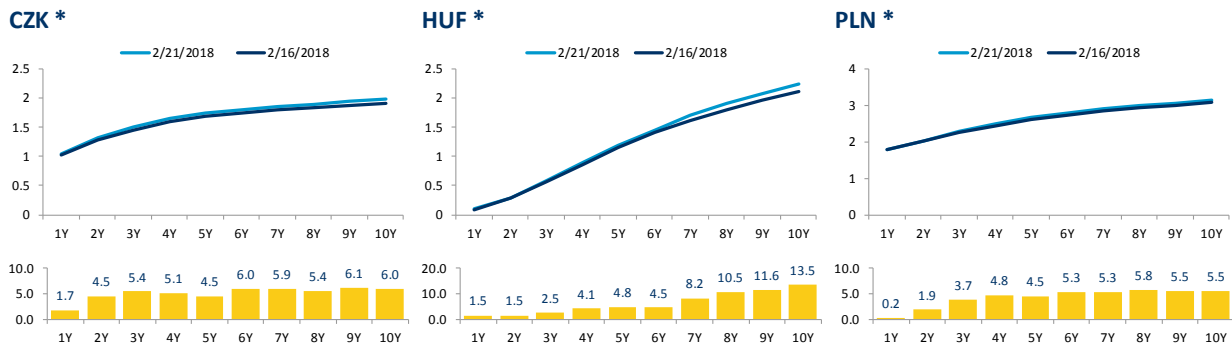
We should add that both the koruna and Czech government bonds do not care about domestic politics. These markets (in our view correctly) focus on strong domestic macro fundamentals and the way how the Czech National Bank interpret them.

Polish hard macro data remain excellent

The Polish Statistical Office released another set of hard monthly macroeconomic data and they point to (again) very strong performance of the Polish economy in the first quarter of this year. While the industrial output increased by 8% y/y, the growth of real retail sales accelerated to 7.7% y/y.

The unbelievable growth was, however, recorded in construction, which jumped by impressive 34.7% y/y and 8.8% m/m. Very strong recovery in the construction sector indicates that public and private investments have continued to grow rapidly in this quarter. Taking together with very strong retail sales it means that the domestic demand growth remains impressive, which would imply strong GDP growth (even when we take into account some necessary deterioration of the Polish foreign trade balance coming through stronger imports).

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	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	12:00	CZ bond auction 2018-21, 0.75%	CZK B 02/01/2018					4			
CZ	12:00	CZ bond auction 2015-2026, 1.00%	CZK B 02/01/2018					4			
CZ	12:00	CZ bond auction 2018-29, 2.75%	CZK B 02/2018					4			
PL	14:00	Money supply M3	% 01/01/2018					-1.1	4.8	2.2	4.6
PL	10:00	Unemployment rate	% 01/01/2018					6.9		6.6	

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