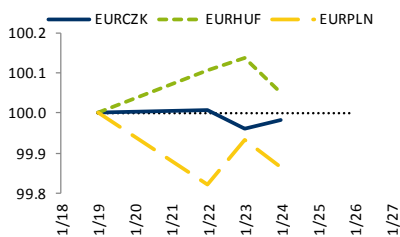




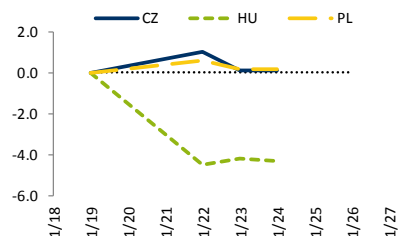
Wednesday, 24 January 2018

Forex markets (index)



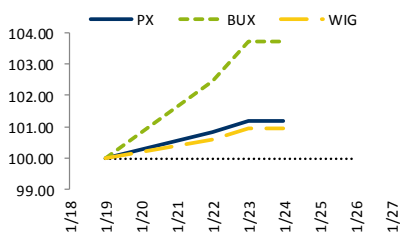
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.40	25.39	0.02
EURHUF	309.4	309.6	-0.09
EURPLN	4.169	4.171	-0.07

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.879	1.879	0.0
HUGB 10Y	2.13	2.13	0.0
PLGB 10Y	3.31	3.31	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1137.1	1137.1	0.00
BUX	41516	41516	0.00
WIG	67529	67529	0.00

Our regional insights:

Czech markets shrug-off politics and continue to focus on the upcoming CNB's meeting

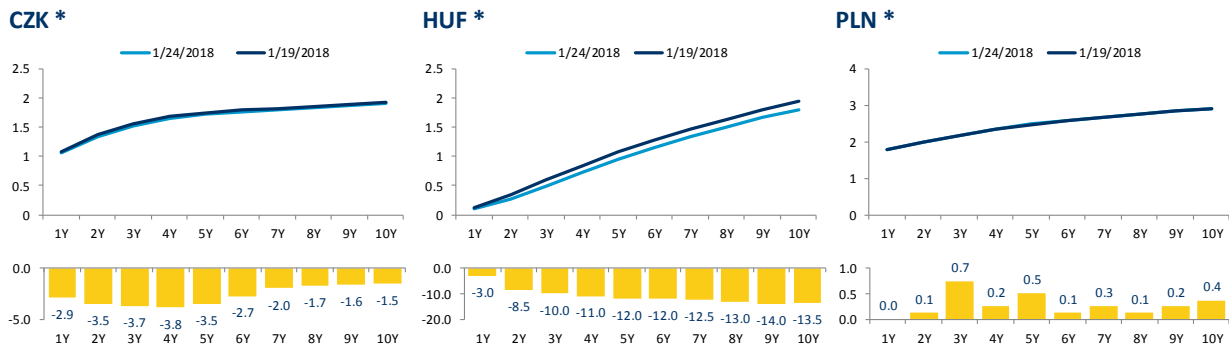
Although the Czech Republic still does not have its government three months after parliamentary elections, Czech financial markets stay calm as they shrug-off domestic politics. Actually, both the koruna and Czech fixed-income markets quietly await the upcoming CNB's meeting (scheduled for next Thursday), which should be more important than news coming from the political scene.

Recall that at the last meeting of the CNB Bank Board two board members already voted to raise interest rates: This time a rate hike will probably have much more support. First, the CNB Bank Board will assess a new quarterly forecast and secondly, several members of the Board have already said in recent weeks that they would like at least a double increase in rates this year. Meanwhile, the Czech economy continues to perform very well - inflation remains above the (2.0%) target and the labour market has become more and more tight. And although the Czech koruna is testing post-intervention highs, it is unlikely to be overvalued from the CNB's point of view. Hence, we expect another rate hike next week, which should not be a huge surprise for Czech markets. The 25bps hike has been mostly (although not fully) priced in.

In the meantime, however, the Czech political scene should really deliver some headlines. The Czech political system now waits for an outcome of the second round of the presidential elections, which will be held this weekend. The two final candidates are current president Zeman and his pro-European challenger Jiri Drahos.

It is worth adding that Zeman said yesterday that he would appoint ANO leader Babis a Prime Minister no matter, who would win the next presidential seat during the weekend. We should add that Babis (as a leader of the winning party) had already failed to get enough votes in the parliamentary confidence vote, which was held two weeks ago. Hence, it is likely that forming a new Czech government will be again very tough, because other parties reject to form a coalition with Babis as PM, who could eventually face a criminal charge. Recall that the issue relates to an EU subsidy, aimed at small businesses, received by the Stork's Nest - a congress centre outside Prague managed by Babis' companies.

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
PL	10:00	Unemployment rate	%	12/01/2017			6.6		6.5		6.5	

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