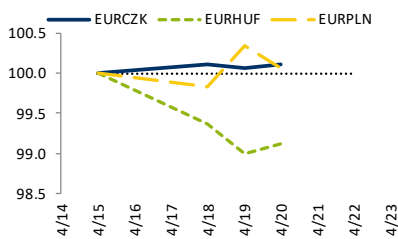




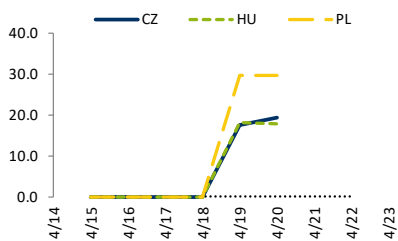
Wednesday, 20 April 2022

## Forex markets (index)



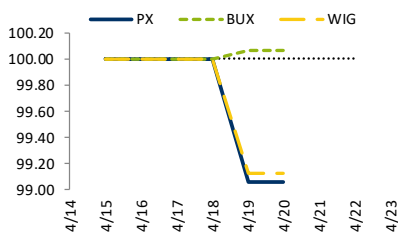
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.44	24.43	0.05
EURHUF	372.4	371.9	0.12
EURPLN	4.633	4.646	-0.26

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.224	4.206	1.8
HUGB 10Y	6.67	6.67	0.0
PLGB 10Y	6.23	6.23	0.0

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1363.0	1363.0	0.00
BUX	43027	43027	0.00
WIG	63201	63201	0.00

## Our regional insights:

## The Polish bond market looks vulnerable

After Easter, the Polish zloty has been underperforming both the Hungarian forint and the Czech koruna. This may be due not only to the start of the new Russian offensive, but also to the rather intensive sell-off in Polish government bonds. The latter are facing a perfect storm that includes the threat of the NBP's aggressive fight against inflation, the global bond sell-off (see the table of 10-year yield correlations) and, last but not least, the Polish expansionary fiscal policy. Let us remind that the Polish government not only drastically cut VAT on energy and food (to slow the rise in inflation and provide relief to households), but it is forced to finance additional military and social spending related to the war in Ukraine. This altogether will bring a significant deterioration of the public budget this year (and even the next one). Hence, the above negative factors may have worried non-resident holders of Polish government bonds, who may have reduced their positions and exited the Polish markets.

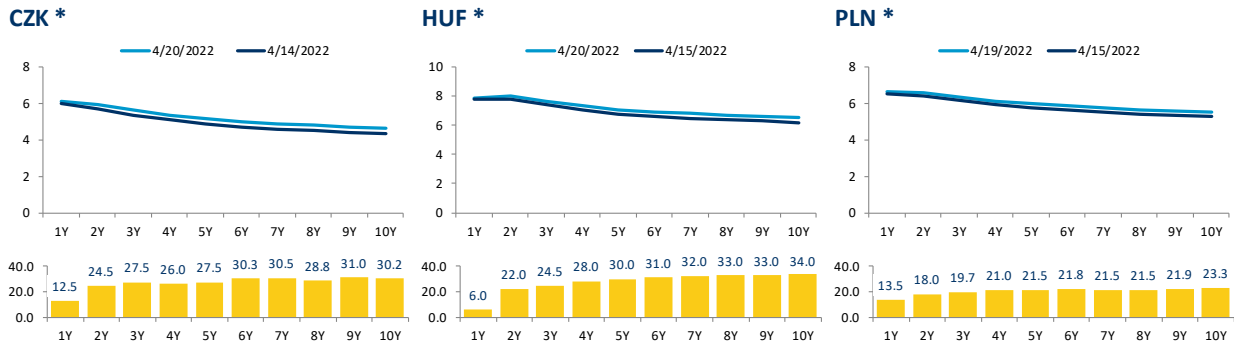
On the other hand, the impact of this form of capital outflow should not be so dramatic, as the share of non-residents in the holdings of Polish government debt (denominated in PLN) was only 15% at the end of February. Moreover, the zloty may also have been helped by news that the ruling parties had reached a tacit agreement on amendments to the presidential bill to amend the Supreme Court law which was not in line with EU legislation. The lack of agreement over judicial reform between the Polish government and the Brussels administration has led to the EU blocking the disbursement of post-pandemic recovery funds.

## Correlations of GB yields (10Y): daily changes since Feb 24

	Poland	Czech R.	Hungary	Germany
<b>Poland</b>				
<b>Czech R.</b>	0,77			
<b>Hungary</b>	0,71	0,62		
<b>Germany</b>	0,34	0,41	0,07	
<b>US</b>	0,41	0,40	0,12	0,80

Source: Bloomberg

## 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	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	04/20	9:00	PPI	%	03/01/2022			4.2	24.7	1.9	23.3	2.2	21.3
CZ	04/20	12:00	CZ eurobond auction 2022-2024, 0.00%	EUR mil	04/01/2022					50-100			
CZ	04/20	12:00	CZ bond auction 2022-2024, floating rate	CZK B	04/01/2022					5			
CZ	04/20	12:00	CZ bond auction 2022-2026, x.xx%	CZK B	04/01/2022					5			
HU	04/21	9:00	Overnight deposit rate	%	04/01/2022							6.15	
PL	04/21	10:00	Wages	%	03/01/2022					5.4	10.6	2.6	11.7
PL	04/21	10:00	Industrial output	%	03/01/2022					13.1	11.6	3.6	17.6
PL	04/21	10:00	PPI	%	03/01/2022					4.5	18.1	0.9	15.9
PL	04/22	10:00	Retail sales	%	03/01/2022					15.7	9.0	1.8	8.1

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