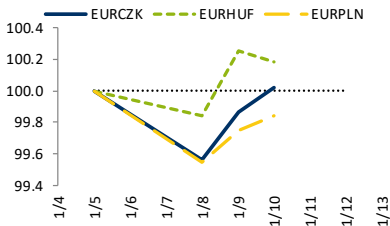


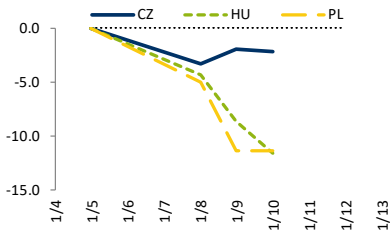
Wednesday, 10 January 2024

Forex markets (index)



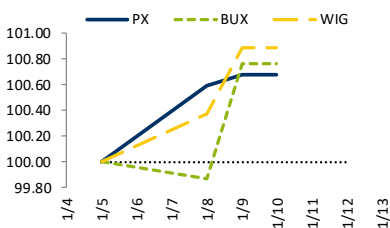
| | LAST | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 24.62 | 24.58 | 0.15 |
| EURHUF | 378.6 | 378.9 | -0.07 |
| EURPLN | 4.345 | 4.341 | 0.09 |

Gov. bonds 10 Y (bps change)



| | LAST | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 3.899 | 3.901 | -0.2 |
| HUGB 10Y | 5.90 | 5.93 | -0.5 |
| PLGB 10Y | 5.13 | 5.13 | 0.0 |

Equity indices (index)



| | LAST | PREVIOUS | CHANGE (%) |
|-----|--------|----------|------------|
| PX | 1448.3 | 1448.3 | 0.00 |
| BUX | 61922 | 61922 | 0.00 |
| WIG | 77268 | 77268 | 0.00 |

Our regional insights:

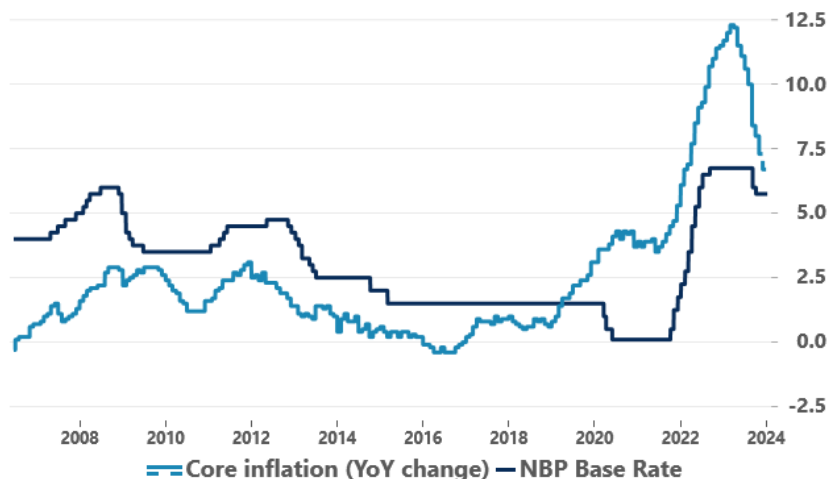
The NBP on hold despite an expected fall in inflation

A part of the Polish FX and money markets appeared to have been misled yesterday by speculation that the NBP would cut official interest rates shortly before the central bank's decision. Moreover, the speculation was supported by some wrong news, which erroneously reported yesterday afternoon that the NBP had (unexpectedly) cut rates by 25 basis points. At one point, the zloty lost almost half a percent against the euro. Before 15:00 (CET), however, it became clear that the NBP had in fact left interest rates unchanged. As a result, the zloty recovered most of its losses before the end of the trading session.

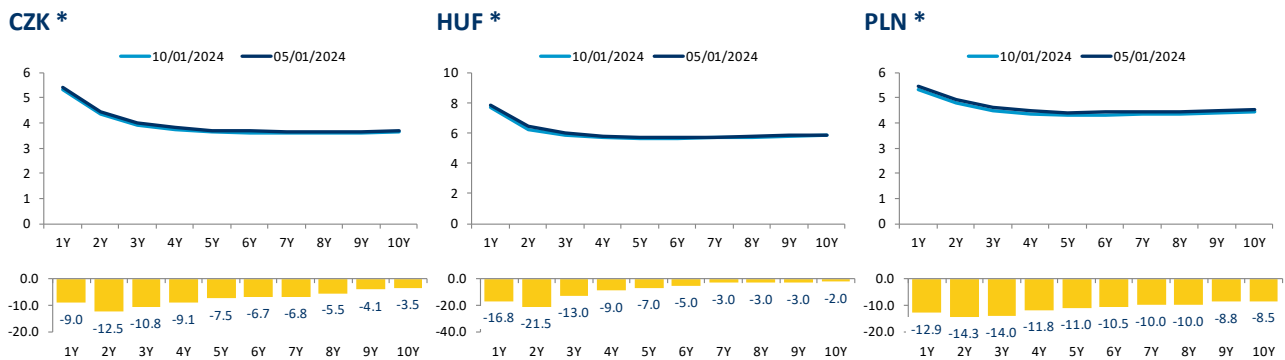
At a press conference this afternoon, NBP Governor Glapinski will have the opportunity to explain why the Monetary Policy Committee decided to leave interest rates unchanged. This is despite the fact that even the NBP's own statement warns that annual inflation will fall significantly in the coming months (though NBP admits that a decline of core inflation will be slower).

Recall that the main and only MPC's argument for a pause in interest rate cuts since the parliamentary elections has been 'the uncertainty, related in particular to the impact of fiscal and regulatory policies on price developments, as well as the pace of economic recovery in Poland'. On this point, the NBP's argumentation can be partly justified, as the new government's policy steps have been quite expansionary. The most visible recent policy measures, such as freezing energy prices, maintaining the zero VAT rate on food or pension fund payment holidays for the self-employed to the extent of 1 month a year, will boost domestic demand. Given the fact that the Polish labour market remains tight and the unemployment rate still hovers at historic lows, wage pressures can persist and core inflation to remain probably elevated (or sticky above the NBP target).

NBP base rate & core inflation (in %)



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). Source for all market data: Bloomberg

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 | 01/10 | 12:00 | CZ Bond auction 2023-2032, 4.50% | CZK B | 01/01/2024 | | | | 4 | | | |
| CZ | 01/10 | 12:00 | CZ bond auction 2020-2040, 1.50% | CZK B | 01/01/2024 | | | | 1 | | | |
| CZ | 01/10 | 12:00 | CZ bond auction 2023-2043, floating rate | CZK B | 01/01/2024 | | | | 4 | | | |
| HU | 01/10 | 14:00 | NBH minutes | NBH | 12/01/2023 | | | | | | | |
| CZ | 01/11 | 9:00 | CPI | % | 12/01/2023 | 0.1 | 7.4 | | 0 | 7.2 | 0.1 | 7.3 |
| PL | 01/11 | 14:00 | NBP minutes | NBP | 01/01/2024 | | | | | | | |
| HU | 01/12 | 8:30 | CPI | % | 12/01/2023 | | | | 5.9 | 0 | 7.9 | |
| CZ | 01/12 | 9:00 | Retail sales ex autos | % | 11/01/2023 | | | | -1.5 | | -1.4 | |
| CZ | 01/12 | 10:00 | Current account | CZK B | 11/01/2023 | | | | | | 19.8 | |

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