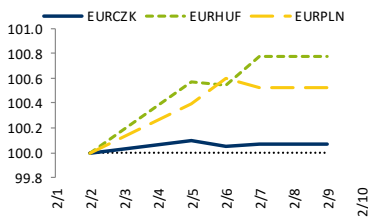


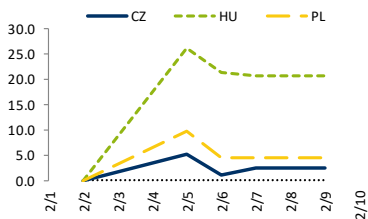
Friday, 09 February 2024

Forex markets (index)



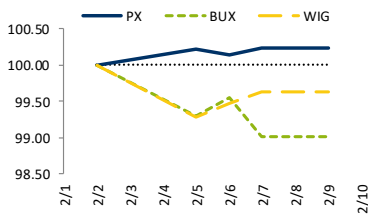
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.96	24.96	0.00
EURHUF	387.2	387.2	0.00
EURPLN	4.346	4.346	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.784	3.784	0.0
HUGB 10Y	6.21	6.21	0.0
PLGB 10Y	5.29	5.29	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1460.6	1460.6	0.00
BUX	64642	64642	0.00
WIG	79275	79275	0.00

Regional insights

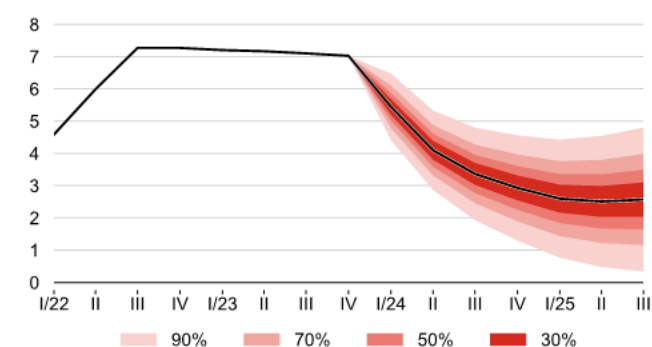
The CNB delivers a dovish 50bps rate cut

In line with our expectations, the Czech National Bank cut the repo rate by 50bps to 6.25% yesterday. Six board members voted in favour of this decision, with one member preferring a 75bps cut. The central bank thus decided to be more aggressive after December's 25bps cut as its conviction in taming inflation grows. The Bank Board's decision was based on a new dovish staff forecast. Compared to November, it foresees visibly weaker economic growth this year (+0.6% vs. 1.2%) and next year (+2.4% vs. 2.8%). Fears of a sharply higher listing prices have clearly not come true - according to the CNB, the January inflation was just 3.0%. By the end of the year, inflation should remain in the upper half of the tolerance band (1-3%). According to the forecast, aggressive rate cuts, especially in the first half of this year, are in-line with these assumptions. At the end of the year, **the forecast expects PRIBOR 3M to fall to 2.9% (originally 3.5%), and even to 2.6% next year.**

At the press conference, Governor Ales Michl reiterated that the Bank Board expects interest rates above the levels implied by the new staff forecast this time as well. According to the governor, the CNB will continue to proceed cautiously, as the upside risks to inflation - in particular the slower fading of higher inflation expectations or higher-than-expected inertia in service prices - will prevail this year as well. At the same time, however, the Governor stressed that while the materialisation of these risks would keep inflation above the 2% target, it should not undermine the persistent disinflationary trajectory as such.

In the coming months, we believe that more drastic rate cuts of at least 50bps (per meeting) will become a new normal. A brisk easing should ensure that the CNB will not fall behind the curve when a fragile recovery and inflation decline are underway. At the end of this year, we still expect CNB's repo rate to be at 4%, while market bets on a fall to 3% (which we consider as exaggerated).

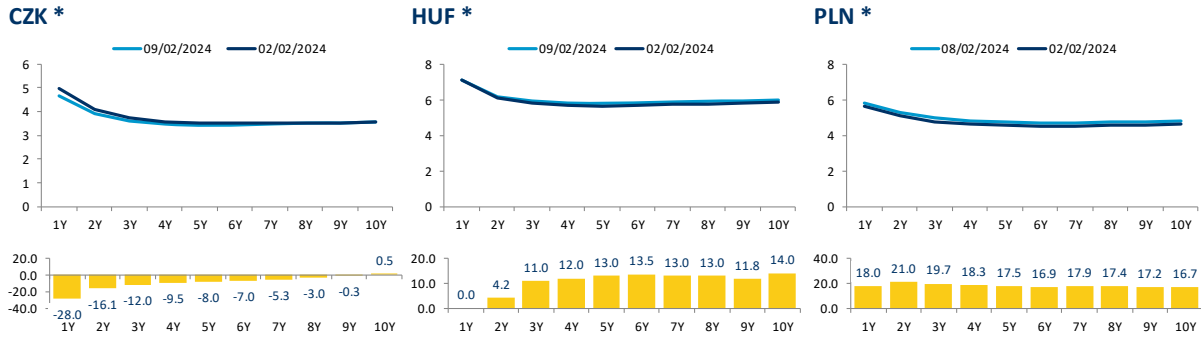
CNB's staff forecast for Pribor 3M (in %)



Note: The confidence intervals of the 3M PRIBOR forecast reflect the predictive power of past forecasts. They are symmetric, linearly widening and limited below by the zero lower bound. (Source: CNB)



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
HU	02/09	8:30	CPI	%	01/2024		0.7	3.8	4.3	-0.3	5.5	
PL	02/09	14:00	NBP minutes	NBP	02/2024							
CZ	02/13	10:00	Current account	CZK B	12/2023						43.52	
PL	02/13	14:00	Current account	EUR M	12/2023						1325.0	
PL	02/13	14:00	Trade balance	EUR M	12/2023						230	
HU	02/14	8:30	GDP	%	4Q/2023 *P						0.90	-0.4
PL	02/14	10:00	GDP	%	4Q/2023 *P						1.50	0.5
CZ	02/14	12:00	CZ Bond auction 2023-2032, 4.50%	CZK B	02/2024				4.0			
CZ	02/14	12:00	CZ bond auction 2023-2034, 4.90%	CZK B	02/2024				3.0			
CZ	02/14	12:00	CZ bond auction 2020-2040, 1.50%	CZK B	02/2024				2			

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