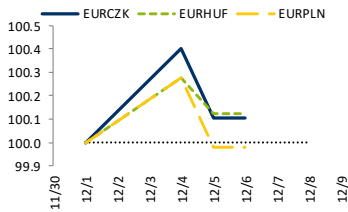


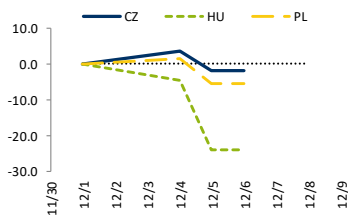
Wednesday, 06 December 2023

Forex markets (index)



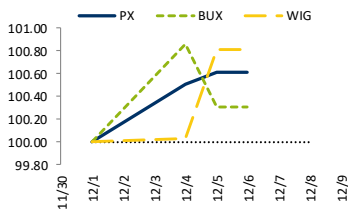
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.34	24.34	0.00
EURHUF	379.3	379.3	0.00
EURPLN	4.320	4.320	0.00

Gov. bonds 10Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.183	4.183	0.0
HUGB 10Y	6.43	6.43	0.0
PLGB 10Y	5.40	5.40	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1398.9	1398.9	0.00
BUX	58191	58191	0.00
WIG	76936	76936	0.00

Our regional insights:

The NBP firmly on hold today

This afternoon we will hear the outcome of the Polish central bank's meeting. It is almost certain that the NBP will not change its policy this time, leaving the key official interest rate at 5.75%. Following the hawkish turn of the NBP leadership after the parliamentary elections, there is no will within the MPC to continue an easing cycle. They rather look for (macro) reasons to postpone further rate cuts. At present, it appears that the NBP will not cut rates again until after the next (staff) inflation forecast, which will be published in March.

Mixed Czech activity data for the CNB

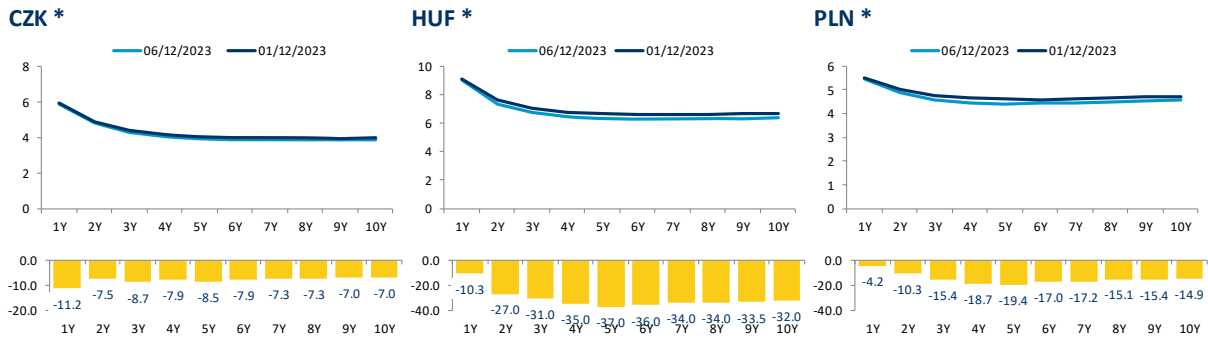
The Czech National Bank has already received two important macroeconomic figures this week.

First, there has been a release of a wage report for the third quarter. Recall that wage growth in the Czech economy slowed from +7.5% YoY to +7.1% YoY. Meanwhile, real wages, slowed their decline from -2.8% to -0.8% - mainly thanks to the faster fading of inflation.

The second item was a release of the October retail sales. They rose by 0.6% m-o-m in real terms in October (partly supported by a negative revision for September), pointing to a slight recovery in consumption towards the end of the year. Looking at the figures for the retail trade sector somewhat obscures the structure of the sector. It is clear that the retail sales results were being helped to some extent by fuel. Moreover, retail sales that include car sales were also much better. On the other hand, real retail sales in many segments (clothing, recreation, and culture) seem to remain on the defensive, and for example food sales also show no major signs of recovery. All in all, the October retail sales result has been broadly in line with our estimate of very moderate GDP growth for the fourth quarter of this year.

From the perspective of the CNB's December meeting, we view wage and retail sales results as neutral messages that are in line with the staff forecast. Overall, however, since the last meeting, the upside risks to the forecast have been dominated by downside risks: the central bank is facing a stronger koruna and weaker economic growth. Hence, **we continue to cautiously bet on a first 25bps rate cut as early as at the December CNB Bank Board meeting.**

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	12/06	8:30	Industrial output	%	10/01/2023		-0.6	-2.8	-2.1	1.2	-5.8	
HU	12/06	8:30	Retail sales	%	10/01/2023						-7.3	
CZ	12/06	9:00	Retail sales ex autos	%	10/01/2023			-1.4	-1.9		-4.0	
CZ	12/06	12:00	CZ bond auction 2017-2027, 0.25%	CZK B	12/01/2023				5			
HU	12/06	14:00	NBH minutes	NBH	11/01/2023							
PL	12/06	16:00	NBP meeting	NBP	12/01/2023	5.75			5.75		5.75	
CZ	12/07	9:00	Construction output	%	10/01/2023						1.2	
CZ	12/07	9:00	Industrial output	%	10/01/2023					5.1	-7.8	
CZ	12/07	9:00	Trade balance (national)	CZK B	10/01/2023				2.9		12.8	
CZ	12/07	10:00	FX reserves of the CNB	EUR B	11/01/2023						128.9	

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