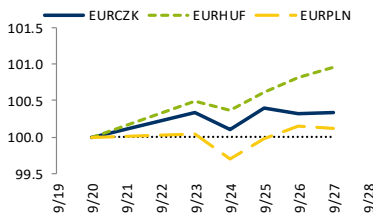


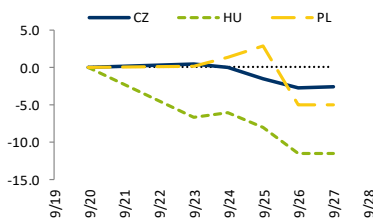
Friday, 27 September 2024

**Forex markets (index)**



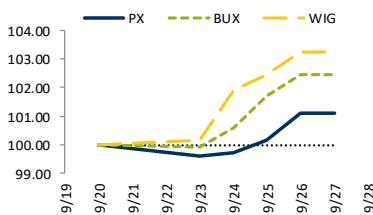
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.14	25.14	0.03
EURHUF	396.7	396.3	0.12
EURPLN	4.276	4.277	-0.03

**Gov. bonds 10 Y (bps change)**



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.761	3.759	0.2
HUGB 10Y	6.19	6.19	0.0
PLGB 10Y	5.30	5.30	0.0

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	1605.1	1605.1	0.00
BUX	74906	74906	0.00
WIG	84400	84400	0.00

## Regional insights

### CNB meeting overshadowed by falling €uro rates

While the Czech koruna continues to trade in a tight range, CZK money market rates have been falling as they have been tracking their euro peers. In this respect, the external market forces seem to be more powerful than the domestic events. Even the last CNB's Bank Board meeting has not brought much new volatility.

Recall that the CNB cut rates by a further 25bps to 4.25% at its September meeting on Wednesday and sent out a statement pointing to continued cautious monetary easing. Six members voted for a 25 bps cut, one member voted for 50 bps (we guess it was Tomas Holub or Jan Frait). While Governor Ales Michl still spoke primarily about the need to keeping inflation persistently low, between the lines one could read that weak growth was making similarly large wrinkles on the Board's forehead.

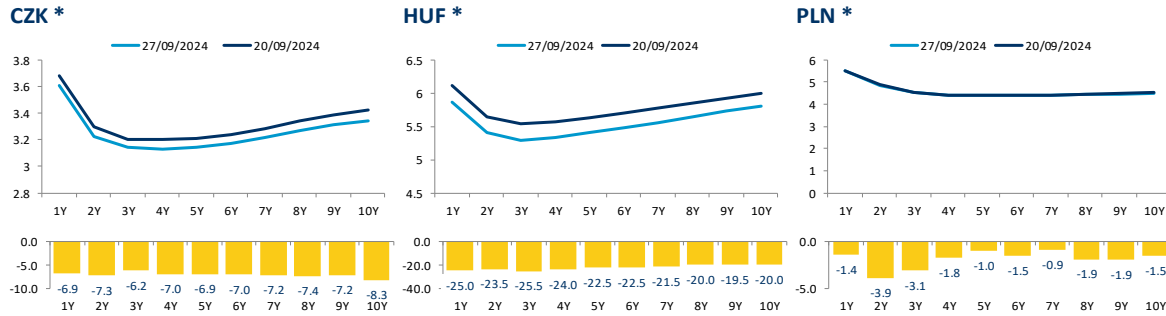
The regular macro overview from the staff probably showed that the upside risks to inflation were slightly higher than in the August staff forecast. These were mainly wage growth, a cosmetically stronger koruna, but above all, expectations for foreign interest rates (EURIBOR) which shifted significantly downwards. The assumption that interest rates in the euro area will stay above 3% until the end of 2025 looks unrealistic (our estimate is currently close to 2.5%, the CNB's new staff forecast stands at 2.7%).

However, it seems that the Bank Board decided not to communicate the risks of the staff forecast directly, but the risks and uncertainties of 'meeting the inflation target'. In truth, the Governor did not explain exactly what this will mean, but it seems that the communication of risks will primarily be directed towards the factors that the Board members are concerned about..., it will be more about feelings than about defining themselves in relation to the forecast.

This was probably why wage growth was still mentioned as a pro-inflationary risk without any clear relevance to the forecast (although the forecast itself had assumed faster growth). Purely from the perspective of the forecast, the main pro-inflationary surprise was the structure of current inflation. And Aleš Michl also included it in the list of the Bank Board's concerns. Inflation surprisingly remained at 2.2% in August (0.4 pp above the forecast), not only because of food, but also due to higher services inflation. It is this, together with persistently elevated inflation expectations, that will probably encourage central bankers to be cautious in the future and discourage them from easing monetary policy more aggressively.

With the policy rate still relatively high above the natural rate (we estimate it close to 3.50%), we expect a 25bps rate cut at each subsequent meeting up to and including February 2025.

## 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	09/27	8:30	Unemployment rate	%	08/2024		4.2		4.2			
HU	09/30	8:30	PPI	%	08/2024						0.7	2.5
PL	09/30	10:00	CPI	%	08/2024 *P						0.1	4.3
CZ	09/30	10:00	Money supply M2	%	08/2024							5.3
HU	10/01	8:30	Trade balance	EUR M	07/2024 *F						203	
CZ	10/01	9:00	GDP	%	2Q/2024 *F						0.3	0.6
HU	10/01	9:00	PMI manufacturing		09/2024						47.6	
PL	10/01	9:00	PMI manufacturing		09/2024						47.8	
CZ	10/01	9:30	PMI manufacturing		09/2024						46.7	
CZ	10/01	14:00	Budget balance	CZK B	09/2024						-175.8	
PL	10/02	15:00	Policy rate	NBP	10/2024						5.8	
PL	10/03	15:00	NBP President Press Conference	NBP	10/2024							
HU	10/04	8:30	Industrial output	%	08/2024						0	-6.4
PL	10/04	14:00	Minutes of the monetary policy meeting	NBP	10/2024							

## Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		<b>Brussels</b>		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95		Institutional Desk		+32 2 417 46 25
			France		+32 2 417 32 65
			London		+44 207 256 4848
			Singapore		+65 533 34 10
<b>Prague Research (CSOB)</b>			<b>Prague</b>		
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Jan Bureš	+420 2 6135 3574				
<b>Bratislava Research (CSOB)</b>			<b>Bratislava</b>		
Marek Gabris	+421 2 5966 8809				+421 2 5966 8820
<b>Budapest Research</b>			<b>Budapest</b>		
David Nemeth	+36 1 328 9989				+36 1 328 99 85

DISCOVER MORE ECONOMIC INSIGHTS AT [WWW.KBCECONOMICS.COM](http://WWW.KBCECONOMICS.COM)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

