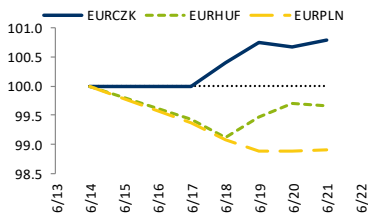


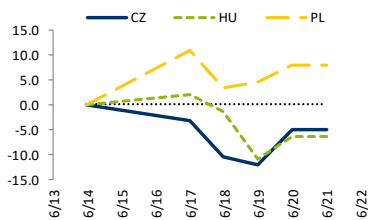
Friday, 21 June 2024

**Forex markets (index)**



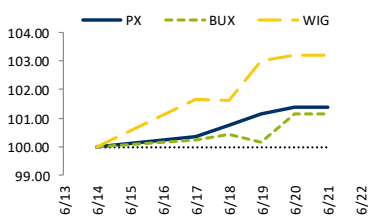
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.92	24.90	0.11
EURHUF	396.8	396.9	-0.05
EURPLN	4,330	4,329	0.02

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



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.194	4.194	0.0
HUGB 10Y	6.82	6.82	0.0
PLGB 10Y	5.80	5.80	0.0

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	1538.0	1538.0	0.00
BUX	70327	70327	0.00
WIG	86550	86550	0.00

## Regional insights

### CZK under pressure as CNB's black-out period starts

The Czech koruna has come under pressure less than a week ahead of the CNB's rate-setting meeting.

The weakening of the Czech currency started at a time when Czech central bankers launched a last-minute offensive before a regular black-out period ahead of the next Bank Board meeting. Interestingly, CNB's Board members Tomáš Holub, Eva Navratilova and Jan Frait have all left the door open for both a 25bps and 50bps rate cut. Similarly, CNB's Governor Ales Michl recently stressed that he attached a similar degree of probability to both (rate-cut) options. While the more cautious approach would mainly reflect the accelerated wage dynamics, the stronger koruna speaks for a more drastic rate (50bps) cut, according to the board members.

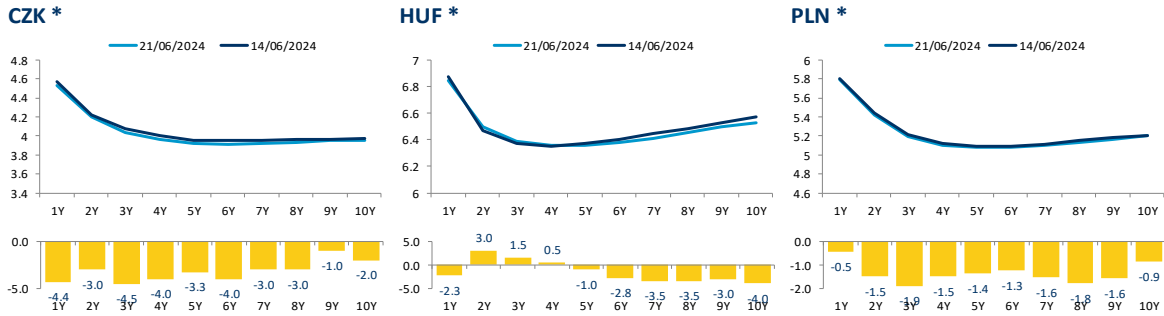
Recall that the CZK is about one percentage point stronger than in the staff forecast, which assumed an average exchange rate of EUR/CZK 25.20 in 2024Q2. As such, it should tighten monetary conditions in the Czech economy, which might not be desirable from the CNB's point of view. According to the central bank's internal rule of thumb, one percent appreciation of the koruna would roughly offset an additional 25bps cut in the official repo rate. However, the recent losses of the koruna partly offset the need for this rebalancing, especially if the Czech currency remains in a bearish mode (so the EUR/CZK will trade close to or even above the 25.0 level).

So, no wonder that the koruna does not like the growing bets for an aggressive rate cut; it would be a negative surprise. We, like the market, still lean towards a 25 bps rate cut, which has been supported by the previous CNB's hawkish communication at the last meeting and by the pro-inflationary surprise related to a brisk wage growth. However, uncertainty is significant this time because central bankers have sent mixed signals as they stressed that they would make a final decision based on the debate at the Bank Board meeting next Thursday.

### Polish hard data for May send mixed signals

The Polish hard macro figures for May have brought a mixed (or rather disappointing) message about the recent state of the economic activity. This was especially true for the May industrial output (which fell 2.1% MoM). As a result, our nowcast for GDP growth in 2024Q2 stands just at 0.3% QoQ. Data releases published next week (like the May retail sales or construction output) should tell us more.

## 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	06/21	8:30	Wages	% ytd. 04/2024				13.5		13.7		13.9
PL	06/24	10:00	Retail sales	% 05/2024							-1.8	4.1
PL	06/24	14:00	Money supply M3	% 05/2024							1.1	7.4
PL	06/25	10:00	Unemployment rate	% 05/2024								5.1
CZ	06/26	12:00	CZ bond auction 2024-2033, 3,00%	CZK B 06/2024						5		
CZ	06/26	12:00	CZ bond auction 2022-2035, 2.50%	CZK B 06/2024						3		
CZ	06/26	12:00	CZ bond auction 2020-2040, 1.50%	CZK B 06/2024						1		
CZ	06/27	14:30	Repo rate	CNB 06/2024	5.00					5.00		5.25

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