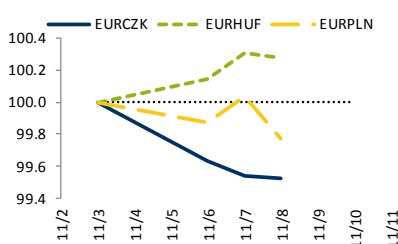




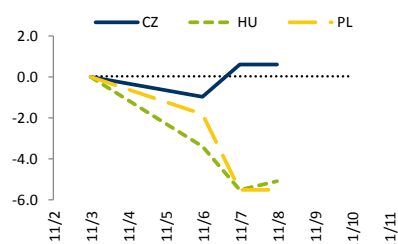
Wednesday, 08 November 2017

Forex markets (index)



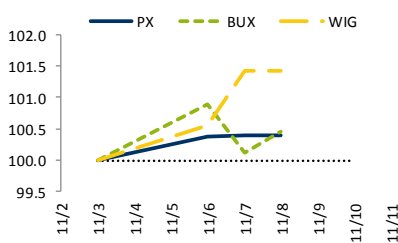
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.55	25.55	-0.01
EURHUF	311.6	311.6	-0.03
EURPLN	4.236	4.247	-0.26

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.603	1.603	0.0
HUGB 10Y	2.33	2.33	0.2
PLGB 10Y	3.40	3.40	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1055.7	1055.7	0.00
BUX	39947	39809	0.35
WIG	65134	65134	0.00

Our regional insights:

New NBP projection should upgrade growth

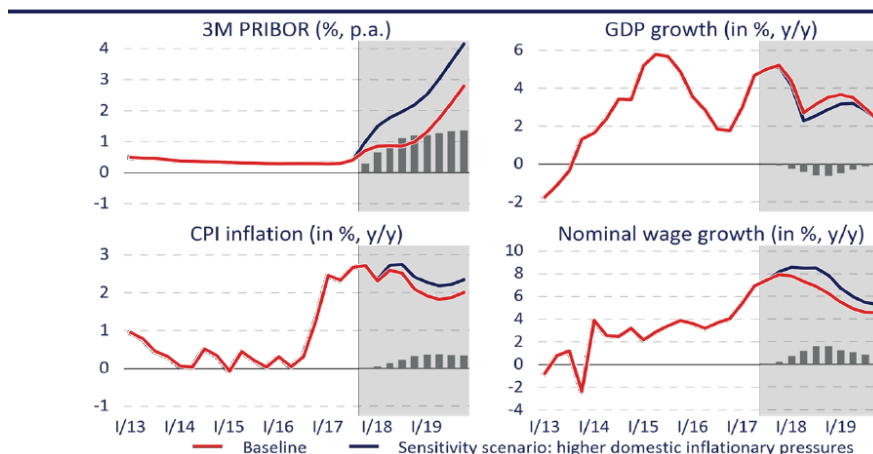
Today, the regional highlight should be an interest rate-setting meeting of the National bank of Poland. We believe that the NBP is going to keep its policy unchanged this afternoon, while Governor Glapinsky seems to be once again expressing his satisfaction with the macroeconomic data. In terms of economic growth, it looks very positive, while inflation is staying very close to 2% but still below the target (2.5%). In addition, the Monetary Policy Committee will have a new forecast available, which will probably increase the estimate of GDP growth for this year. It is possible that the NBP forecast will also predict slightly higher inflation in 2018 (compared to the current estimate of 2.0%).

Czech unemployment rate at new all-time low

Although still without a government the Czechs face the best labour market conditions ever. According to just released labour market figures the Czech unemployment rate fell to 3.6% in October, which is all-time lows. It is worth noting that number of vacancies has been approaching the number of unemployed. Should this trend continue we can expect that there will be one unemployed per one vacancy in the Czech economy in 2018.

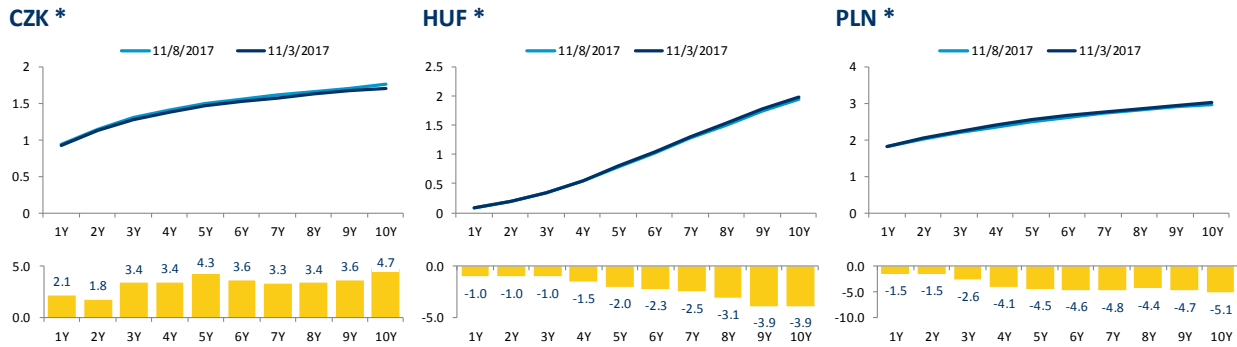
No wonder that wage-inflation pressures have been finally building, so we expect nominal wage growth at around 7% in 2017 and 2018. In this respect it is interesting to mention the recent CNB's stress-test scenario (see below), which was run with an assumption that pressures from the labour market would last longer. The implication of this scenario is then simple: the monetary conditions need a stronger tightening – in other words higher policy rate and the koruna would be needed.

Sensitivity Scenario – Higher Domestic Inflation Pressures



Source: the Czech National Bank

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).

Calendar

Country	Time	Indicator	Unit	Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	9:00	Unemployment rate 15-64	%	10/01/2017	3.7		3.6		3.6		3.8	
HU	9:00	Industrial output	%	09/01/2017			-0.7	8.1	1	7.9	5.5	6.8
HU	9:00	Trade balance	EUR M	09/2017 *P			928		838		458	
CZ	10:00	FX reserves of the CNB	EUR B	10/01/2017							123.9	
CZ	12:00	CZ bond auction 2015-2023, 0.45%	CZK B	11/01/2017					4			
CZ	12:00	CZ bond auction 2013-28, 2.50%	CZK B	11/01/2017					4			
CZ	12:00	CZ bond auction 2017-33, 2.00%	CZK B	11/01/2017					4			
PL	14:00	NBP meeting	%	11/01/2017	1.5				1.5		1.5	
CZ	9:00	CPI	%	10/01/2017	0.4	2.8			0.3	2.7	-0.1	2.7

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