

April 29 | 2019

Weekly | 2018 | Week 17

MARTIN LOBOTKA, (+420) 777 027 165, MLobotka@42fs.com, Research@42fs.com

CALENDAR

DAY	DATE	TIME (CET)*	MARKET	RELEASE	CONSENSUS**
Monday	29-Apr-19	11:00	EMU	(Final) Consumer Confidence, Apr19	-7.9
Tuesday	30-Apr-19	7:30	FRA	(1st estimate) GDP growth, 1Q19, q/q	0.3%
	30-Apr-19	8:45	FRA	(Preliminary) HICP, Apr19, y/y	1.4%
	30-Apr-19	9:00	SPA	(1st estimate) GDP growth, 1Q19, q/q	0.6%
	30-Apr-19	9:00	SPA	(Preliminary) HICP, Apr19, y/y	1.5%
	30-Apr-19	9:00	SPA	Retail sales, Mar19, y/y	1.4%
	30-Apr-19	11:00	EMU	(1st estimate) GDP growth, 1Q19, q/q	0.30%
	30-Apr-19	11:00	ITA	(Preliminary) HICP, Apr19, y/y	0.7%
	30-Apr-19	14:00	GER	(Preliminary) HICP, Apr19, y/y	1.7%
	30-Apr-19	12:00	ITA	(1st estimate) GDP growth, 1Q19, q/q	0.1%
Thursday	2-May-19	8:00	GER	Retail sales, Mar19, y/y	2.9%
	2-May-19	9:30	CZ	Manufacturing PMI, Apr19	47.6
	2-May-19	10:00	EMU	(Final) Manufacturing PMI, Apr19	47.8
	2-May-19	14:00	CZ	Monetary policy meeting of CNB, 2-week repo rate	2.00%
Friday	3-May-19	11:00	EMU	(Preliminary) HICP, Apr19, y/y	1.6%

* LOCAL TIME IS CET

** (REUTERS/ BLOOMBERG) POLL

MAY 2019 AUCTIONS

NAME	DATE OF AUCTION	DATE OF ISSUE	MATURES ON	AMOUNT OFFERED*	COUPON
CZGB 2015-2027**	15-May-19	17-May-19	10-Feb-27	CZK 3 bn. max	0,25%
CZGB 2017-2033**	15-May-19	17-May-19	13-Oct-33	CZK 3 bn. max	2,00%
CZGB 2007-2057**	15-May-19	17-May-19	26-Nov-57	CZK 0.5 bn. max	4,85%
CZGB 2015-2026**	29-May-19	31-May-19	26-Jun-26	CZK 3 bn. max	1,00%
CZGB 2018-2029**	29-May-19	31-May-19	23-Jul-29	CZK 3 bn. max	2,75%

* FOR T-BILLS, THIS IS MAXIMUM AMOUNT PER PRIMARY DEALER.

** MINFIN CAN CHANGE THE ISSUE AT THE LATEST AT THE DAY OF THE AUCTION ANNOUNCEMENT FOR ONE WITH SIMILAR MATURITY.

*** TO BE DETERMINED ACCORDING TO THE ACTUAL MARKET SITUATION.

THOUGHT OF THE WEEK

"IF PAST TAUGHT ME ANYTHING IT IS THAT WHENEVER I WANT TO HAVE A STRONG VIEW OF EURCZK IN A WORLD OF FREE CAPITAL FLOWS, I RECALL THAT IT IS LIKE TRYING TO USE FLUID DYNAMICS TO PREDICT THE MOVEMENT OF THE BOTTLE IN THE OCEAN."

WEEK AHEAD

After two quiet weeks, a busy one awaits.

In the Eurozone, we'll get the first estimate of the **1Q19 GDP growth**. The expectation is for 0.3% q/q and, if confirmed, this will be only marginal improvement on last two quarters. And nowhere near as large one as to change anything for ECB. The April (preliminary) inflation data, also to be released this week, will confirm that the inflation is still not going anywhere.

In the Czech Republic, manufacturing PMI will confirm that the industry remained in contraction at the beginning of 2Q19. Of much more importance is then the **CNB monetary policy meeting**. There will be a new forecast and the central bankers (Rusnok, Mora, Holub) recently indicated they might vote for the hike if forecast so dictates. Add two previous hawks (Michl, Benda) and it is likely the repo will go up by 25 bps. to 2%. But don't expect any impact on EURCZK as the forecast (and the statement after the meeting) will likely confirm that this was the last hike in this cycle.

WEEK BEHIND

Czech consumer confidence lowest since summer 2016 ▶

Eurozone leading indicators unchanged against end of 1Q ▶

| FX

EURCZK remained between 25.70-25.75,...

...i.e., essentially unchanged against the previous week. This has been the case pretty much since the beginning of this year. So much for CNB's expectations of 2018...[that CZK would be well below 25 by now].

| FI

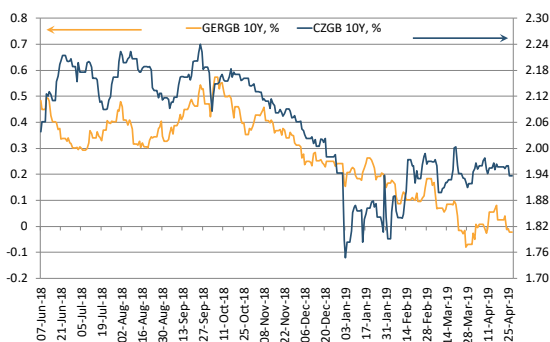
German 10Y yields returned back below zero,...

...after leading indicators showed the economic weakness persists into 2Q19.

EURCZK UNCHANGED

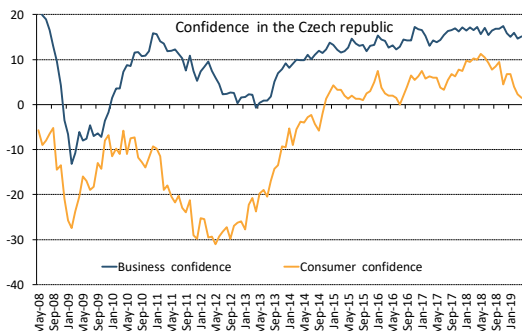


GERMAN 10Y YIELDS BACK IN RED



| CZECH ECONOMY

CONSUMER CONFIDENCE WORSENERD IN APRIL TO LOWEST IN OVER 2 ½ YEARS



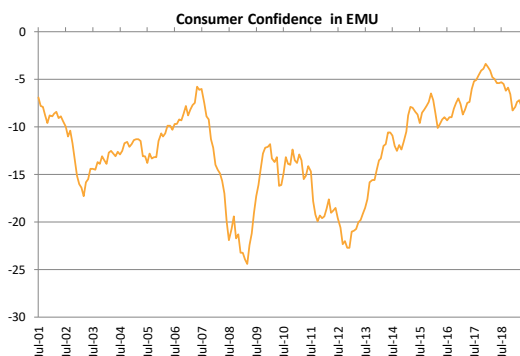
Czech consumer confidence worsened at the beginning of 2Q.

Czech consumer confidence worsened further in April, having fallen to the lowest (1.5 pts) since July 2016. According to the Czech statistical office, the reason for worsening was the increased concern about the economic situation in next twelve months. Not that consumers are too rational here: when asked whether they worry their own financial situation will change for worse in next 12 months, they gave the same response as month before. Asked whether they think the unemployment may grow, they replied the same as month before. In other words, they are more worried about general situation, but not about the impact to their own: you know, “it will worsen, but it will not happen to me”. So, don’t read much into the consumer confidence, I say.

The **confidence among producers** didn’t change as against March. There was further worsening in trade where confidence fell to lowest since November 2014, but it was offset by a small uptick in the industry (though the confidence there is still lowest since mid-2013). The result was that the overall confidence remained essentially unchanged in April (15.1 pts.) vs. March (14.7 pts).

Put together, soft indicators show economy weakened this year so far. Let us wait for the 1Q19 GDP / 2Q19 monthly data.

EUROZONE CONSUMER CONFIDENCE UNCHANGED AGAINST 1Q19, STILL ABOVE LONG-TERM AVERAGE

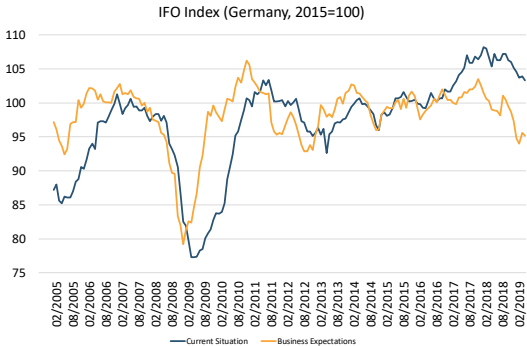


| EUROZONE ECONOMY

April Eurozone leading indicators unchanged vs. the end of 1st quarter.

In April, the consumer confidence remained essentially unchanged against the 1Q19, and although lower than in 2018, it is still higher than its long-term average. But, even if consumer confidence data were good at predicting something (they are not, confidence being the lagging

GERMAN IFO WORSENE D MARGINALLY



indicator) we wouldn't have learnt much from this release.

And **German IFO** wasn't too informative either. There was some worsening of the assessment of current situation, but expectations remained unchanged. The overall index didn't change much.

Both releases thus make it likely that economic situation, having deteriorated steadily since 2H18, stabilized at the end of 1Q19 and the beginning of 2Q19. But no re-acceleration of growth, let alone of inflation, is seen anywhere.

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MARKETS ‡

MM / IRS		3M PRIBOR	6M PRIBOR	2Y	5Y	7Y	10Y	
%	Actual	2.030	2.090	2.187	2.041	1.975	1.980	
	-1M	2.020	2.060	2.015	1.820	1.763	1.790	
	-3M	2.000	2.070	2.070	1.938	1.890	1.925	
	-6M	1.790	1.880	2.315	2.507	2.508	2.505	
ASW spread*		2Y	3Y	4Y	5Y	7Y	10Y	
bps.	Actual	-0.499	-0.512	-0.404	-0.300	-0.152	-0.044	
	-1M	-0.200	-0.206	-0.167	-0.046	0.046	0.119	
	-3M	-0.314	-0.330	-0.291	-0.255	-0.158	-0.094	
	-6M	-0.780	-0.743	-0.740	-0.650	-0.434	-0.343	
CZGB**		2Y	3Y	4Y	5Y	7Y	10Y	
%	Actual	1.688	1.628	1.686	1.741	1.823	1.936	
	-1M	1.815	1.729	1.706	1.774	1.808	1.909	
	-3M	1.756	1.703	1.694	1.683	1.732	1.831	
	-6M	1.535	1.657	1.735	1.857	2.074	2.162	
FX		EURCZK	EURPLN	EURHUF	EURRON	EURTRY	EURUSD	
	Actual	25.704	4.295	322.33	4.760	6.626	1.116	
	-1M	25.814	4.296	320.38	4.766	6.294	1.122	
	-3M	25.760	4.292	317.36	4.775	6.091	1.143	
	-6M	25.816	4.311	324.19	4.661	6.378	1.140	

‡ As of Sunday night
 * Spreads to generic bonds
 ** Generic bond

CONTACTS

MARTIN LOBOTKA, ANALYST

(+420) 777 027 165, MLobotka@42fs.com

RESEARCH

Research@42fs.com

AVAILABLE AT THOMSON REUTERS EIKON MESSENGER

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