

Short Note

CNB– September 2013

26.9.2013

Czech Republic: National Bank does not intervene, CZK appreciates

As we expected the Czech National Bank today at its monetary council meeting did not start FX intervention against CZK and it did not change the key rate of 0.05%. The CNB repeated that the probability of FX intervention did not change and remains high. As there had been market speculation about an intervention the CNB decision led to CZK appreciation vis-à-vis EUR. It seems that some market players had misinterpreted some of the board members wording ahead of the decision. However, the latest CNB meeting did not change our expectation. We do not expect direct FX intervention unless we see intensified disinflationary pressures. CNB wording will continue to put a brake on the CZK appreciation in the near term.

We stick to our short-term SELL recommendation on the Czech government bonds of maturities 5 years and longer.

Michal Brožka, Ekonomický výzkum, Raiffeisenbank a.s.

Wolfgang Ernst, RZB, Vienna

tel. +420 234 401 498