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Czech National Bank removes currency floor

Gast-AutorIn / Guest Author



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Author: Anton Hauser

Senior Fundmanager Emerging Market Bonds

Three and a half years after introduction, the Czech National Bank decided today to remove its 27 CZK/EUR currency floor. Many investors were expecting this decision. Indeed, this trade is currently one of the most popular ones among investors. As expected, the Czech koruna appreciated slightly against the Euro. In the short term the currency will remain volatile, as a lot of speculative money is involved. In the long run I expect that the Czech koruna will continue to appreciate given the strong fundamentals of the Czech economy.

But not only the Czech koruna could get stronger, also other currencies in Central and Eastern Europe like the Polish Zloty or the Hungarian Forint could appreciate against the Euro. These countries also show strong fundamentals, which could lead to positive currency effects for EUR-based investors. The end of the currency peg will bring the region back into investor's focus. The higher yields of CEE bonds and relatively cheap currencies could lead to a boost for this asset class.

Source: Bloomberg

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