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Betting against the crown

The crown's rise to close to Kč 25/euro has heads spinning. Not even the Czech National Bank is sure what is going on. A few things seem clear. International investors are pulling money out of the U.S., where interest rates are collapsing, and have spotted the crown as a currency with an opposite interest-rate trend. The 7.5% Czech inflation figure for Jan. seemed to confirm the trend, although the CNB is playing down the idea of another rate hike. Investors who had been shorting the crown were forced to cover their positions when the Czech currency headed north instead of south, adding more strength to the crown. Some speculators are now betting the crown will swing back the other way in coming months, as huge dividend outflows are approved. A weakening to Kč 27.00-27.50 could give speculators a 10% gain. Exporters hit hard by the strong crown are hoping the speculators are right.

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