



Central European Daily

Monday, 02 May 2016

Headlines

Currencies		% chng
EUR/CZK	27.05	0.0
EUR/HUF	311.7	0.2
EUR/PLN	4.37	-0.7
EUR/USD	1.15	0.9
EUR/CHF	1.10	0.2

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.16	-0.15	0.03	-0.03
EUR/PLN		0.31	-0.09	-0.13
EUR/HUF			-0.02	-0.25
EUR/USD				0.27

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.25	-3
HUF	0.87	-1
PLN	1.64	1
EUR	-0.26	1

GB	%	bps chng
Czech Rep. 10Y	0.50	2
Hungary 10Y	3.38	6
Poland 10Y	3.09	1
Slovakia 10Y	0.87	4

CDS 5Y	%	bps chng
Czech Rep.	41	-1
Hungary	144	-1
Poland	85	0
Slovakia	42	1

Source: Reuters

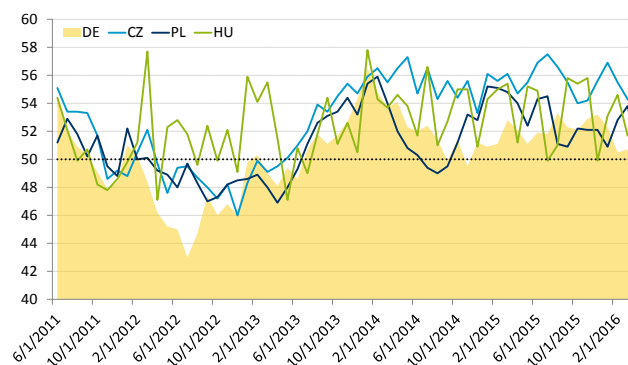
PMI indices show that business sentiment in Poland and the Czech Republic worsens

On Friday, a flash estimate of the Polish inflation for April surprised both us and the market negatively. The headline inflation came out at -1.1% Y/Y and deflation has therefore deepened last month. Although in our base scenario we expect the central bank will keep rates unchanged, it may still be interesting to watch the outcome of this week's meeting of the National Bank of Poland (on Friday).

Apart from the lower inflation, it is likely that members of the **Polish Monetary Policy Council will also discuss weaker than expected data on industrial production for March. The case for such discussion may be even stronger due to the fresh PMI figures in manufacturing which also came out below market expectations and hit three-month lows in April.** Month-on-month decline in the sentiment was driven by both current business conditions and new orders components of the index. Regarding the employment sub-index, it showed further improvement in conditions but the pace of growth was the slowest since the autumn 2014.

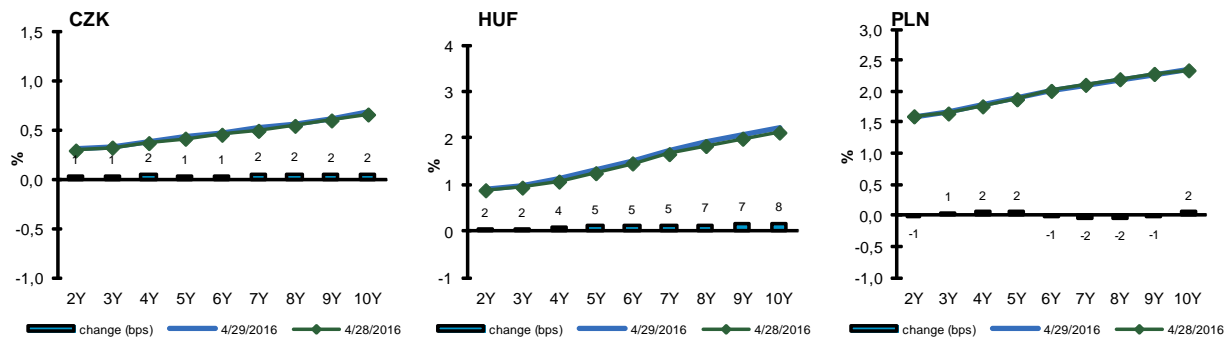
Regarding the Czech PMI, the index hit a sixteen-month low in April. Although conditions in industry remain favourable (the headline index reached 53.6 points), it showed decline in the fourth consecutive month. The most worrying probably was only tepid pace of growth of new orders. On the other hand, demand for new workers remains strong which is a good sign from the perspective of the central bank which expects relatively fast wage growth.

PMI: CE vs Germany



The Czech PMI hit a 16-month low in April.

Interest-rate Swap Curves



Calendar

Country	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	0:00	Earnings Kofola	CZK 1Q/2016								
HU	9:00	PMI manufacturing	04/01/2016			52.2				51.7	
PL	9:00	PMI manufacturing	04/2016			51		53		53.8	
CZ	9:30	PMI manufacturing	04/01/2016			53.6		54.4		54.3	
CZ	14:00	Budget balance	CZK B 04/01/2016							43.6	

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