



Central European Daily

Thursday, 08 October 2015

Headlines

Currencies		% chng
EUR/CZK	27.12	0.1
EUR/HUF	312.1	0.6
EUR/PLN	4.23	-0.1
EUR/USD	1.12	-0.3
EUR/CHF	1.09	0.4

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.07	0.13	-0.17	-0.15
EUR/PLN		0.44	0.32	-0.10
EUR/HUF			0.30	-0.09
EUR/USD				0.01

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.25	-1
HUF	1.32	1
PLN	1.72	3
EUR	-0.04	1

GB	%	bps chng
Czech Rep. 10Y	0.65	-1
Hungary 10Y	3.31	1
Poland 10Y	2.67	3
Slovakia 10Y	0.85	-5

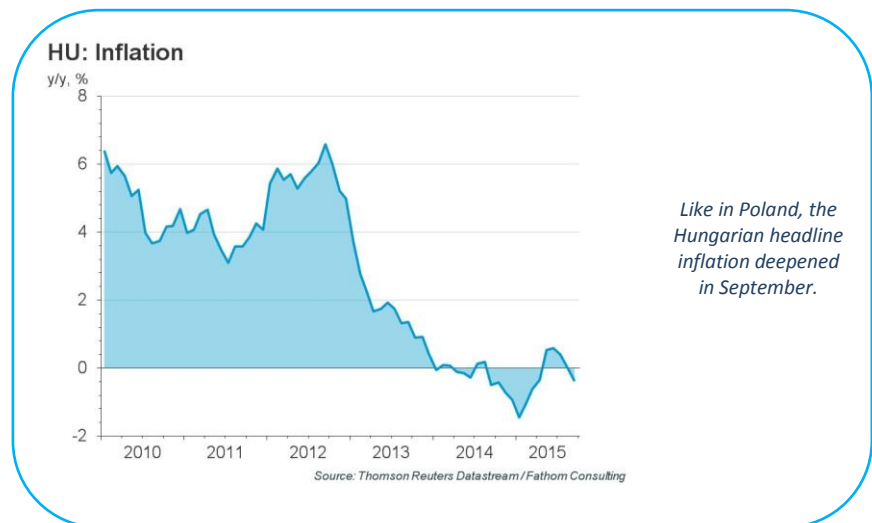
CDS 5Y	%	bps chng
Czech Rep.	50	0
Hungary	167	5
Poland	78	0
Slovakia	49	-1

Source: Reuters

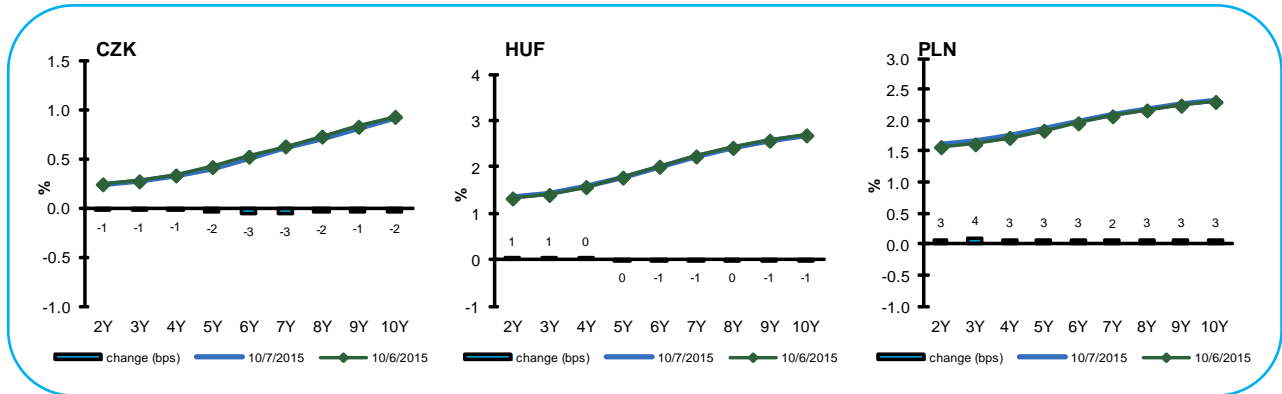
Hungary's deflation deepens in September. Is another NBH's rate cut on horizon?

Consumer prices surprisingly fell 0.6% month-on-month in September, which means that deflation deepened in Hungary. As a result, **consumer prices were lower 0.4% y/y on average**. The key item which caused a drop in headline inflation was the motor fuel price falling more than 5% last month. However, it is worth noting that consumer durables and prices of services fell by 0.1% m/m and 0.6% m/m respectively. These are the items of core inflation, so they could provide more serious inflation signals for the National bank of Hungary and its policy. Still core inflation rose to 1.3% y/y from 1.2% y/y in August. Anyway, a closer scrutiny of MNB comments becomes important again as they could give signals whether the NBH is ready to act again and ease its policy further.

Actually we do not rule out a possibility that a rate-cutting cycle will be resumed in Hungary. We believe that should the NBH cut again, the base rate might be lowered to just above 1% (two 15 bps cuts may be expected). But much will depend on the forint which has remained stable after today's inflation release. Nevertheless, if the EUR/HUF pair move closer to the 300 level, a rate cut will be seriously on the table given the deeper deflation.



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	9:00	Unemployment rate 15-64	% 09/01/2015	6.1		6		6.1		6.2	
HU	9:00	CPI	% 09/01/2015		-0.1	-0.6	-0.4	-0.2	-0.1	-0.6	0

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