



Central European Daily

Tuesday, 02 February 2016

Headlines

Currencies		% chng
EUR/CZK	27.01	0.0
EUR/HUF	310.1	-0.3
EUR/PLN	4.40	-0.5
EUR/USD	1.09	0.5
EUR/CHF	1.11	0.1

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.01	-0.07	0.18	-0.06
EUR/PLN		0.32	0.31	0.10
EUR/HUF			0.27	0.13
EUR/USD				0.46

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.26	0
HUF	1.27	0
PLN	1.55	1
EUR	-0.27	1

GB	%	bps chng
Czech Rep. 10Y	0.66	-1
Hungary 10Y	3.41	-14
Poland 10Y	3.20	4
Slovakia 10Y	0.68	0

CDS 5Y	%	bps chng
Czech Rep.	46	0
Hungary	159	0
Poland	87	0
Slovakia	46	0

Source: Reuters

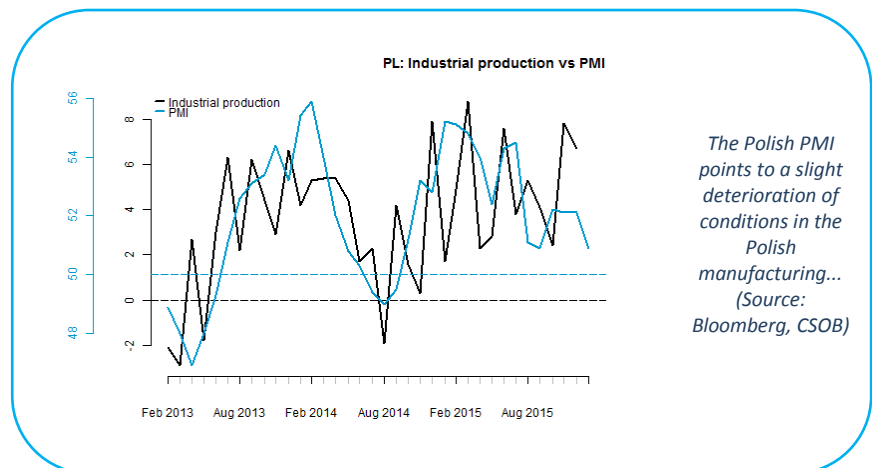
Polish PMIs may paint too pessimistic view of the Polish industry

The NBH may adopt further “unconventional” measures

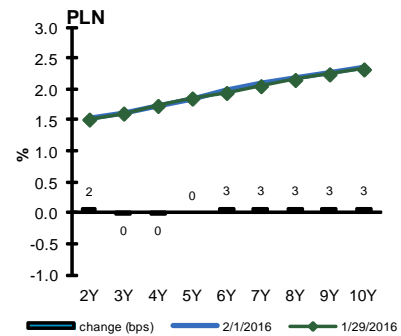
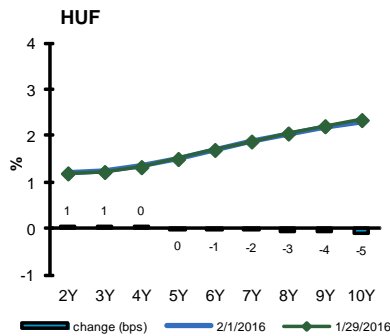
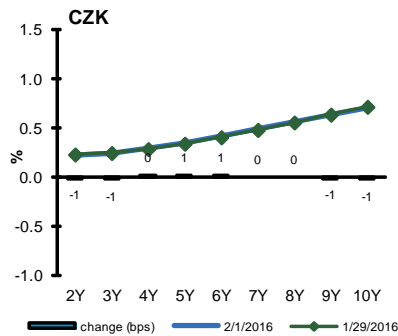
Yesterday, the zloty ignored worse than expected results of PMI for January and strengthened to a new three week high against the euro. Although the index fell to a four-month low due to a slowdown of new orders and output, the employment sub-index still points to a solid improvement in labour market conditions. For the time being, we would therefore not overemphasize the importance of the headline figure although it points to some slowdown in industrial production growth (see the chart below).

Central banks’ meetings in the Czech Republic and Poland are in focus in the remainder of this week. Nevertheless, comments of Deputy Governor of the Hungarian central bank (NBH), Marton Nagy, may draw some attention today. Mr. Nagy said that the Hungarian central bank would review its recent policy measures in March or April and may ease its policy further if necessary. Mr. Nagy also reiterated that ‘unconventional’ measures were preferable policy tools now and that the ECB meeting in March is of a key importance.

Clearly, the main attention of the NBH is lowering the amount of liquidity placed at the central bank and ‘unconventional’ measures such as those adopted so far seem to be more appropriate for achieving this goal in our view, too. So the Monetary Council may change rather the monetary tools first, but in a case the forint strengthens to around the EUR/HUF 300 base a rate cut cannot be excluded either, although this is not our baseline scenario.



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
HU	9:00	Trade balance	EUR M			687				673	

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