



# Central European Daily

Wednesday, 27 April 2016

## Headlines

Currencies		% chng
EUR/CZK	27.00	0.0
EUR/HUF	311.1	-0.1
EUR/PLN	4.37	-0.8
EUR/USD	1.13	0.3
EUR/CHF	1.10	0.1

### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.03	0.04	0.10	0.00
EUR/PLN		0.37	0.08	0.10
EUR/HUF			-0.04	-0.02
EUR/USD				0.33

correlations of 30 min changes  
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.28	0
HUF	0.83	3
PLN	1.63	0
EUR	-0.25	1

GB	%	bps chng
Czech Rep. 10Y	0.53	3
Hungary 10Y	3.11	3
Poland 10Y	3.11	6
Slovakia 10Y	0.84	1
CDS 5Y	%	bps chng
Czech Rep.	42	0
Hungary	146	0
Poland	87	0
Slovakia	41	0

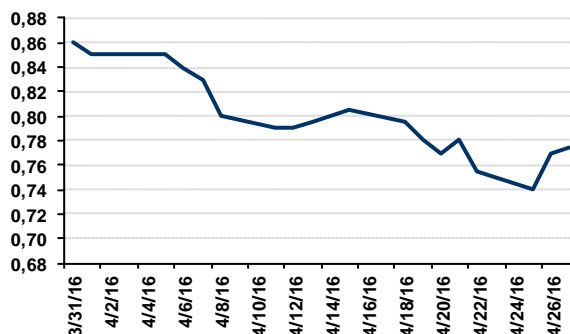
Source: Reuters

### The NBH cuts its base rate by 15 bps as expected, more to come, though the market is less certain about it

Yesterday, the Monetary Council of the NBH cut the benchmark rate by 15 basis points to 1.05%, kept the O/N deposit rate at 0.05% and decreased overnight collateralised lending rate from 1.45 to 1.30. As a result of that interest rate corridor narrowed further asymmetrically. According to Council's opinion the sustainable achievement of the inflation target points to a further slight reduction in the policy rate. Hence, as we expected the NBH will continue in its easing cycle, which began last month. In our view the NBH easing cycle may continue at least till June, when the next inflationary report will be published. So, today's 15bp cut might be followed with two more steps in May and June down to 0.75% from the current level of 1.2%.

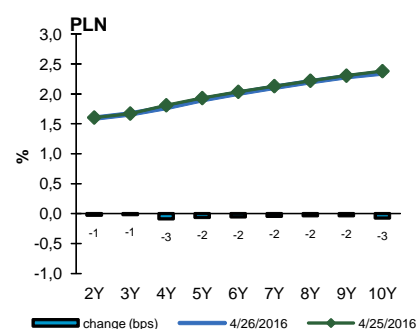
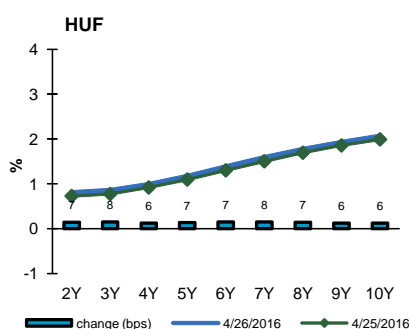
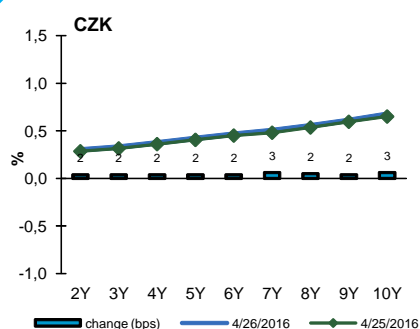
Ahead of the rate cut EUR/HUF jumped near to the 312.80 level but after the NBH decision it sank below the 312 level. Interestingly, following the release of the NBH statement, the Hungarian money markets corrected slightly its expectations about NBH's future rate cuts as FRA rates and generally the short of the curve moved higher.

### HUF FRA 3x6



HUF FRA rates moved higher after the NBH meeting despite a 15 bps rate cut.

# 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	12:00	CZ bond auction 2016-18, 0.00%	CZK B 04/01/2016								
CZ	12:00	CZ bond auction 2015-2023, 0.45%	CZK B 04/01/2016								
CZ	12:00	CZ bond auction 2014-25, 2.40%	CZK B 04/2016								

## Contacts

Brussels Research (KBC)			Global Sales Force		
Piet Lammens	+32 2 417 59 41		Brussels		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Joke Mertens	+32 2 417 30 59		Institutional Desk		+32 2 417 46 25
Mathias van der Jeugt	+32 2 417 51 94		France		+32 2 417 32 65
Dublin Research			London		+44 207 256 4848
Austin Hughes	+353 1 664 6889		Singapore		+65 533 34 10
Shawn Britton	+353 1 664 6892				
Prague Research (CSOB)					
Jan Cermak	+420 2 6135 3578		Prague		+420 2 6135 3535
Jan Bures	+420 2 6135 3574				
Petr Baca	+420 2 6135 3570				
Bratislava Research (CSOB)					
Marek Gabris	+421 2 5966 8809		Bratislava		+421 2 5966 8820
Budapest Research					
David Nemeth	+36 1 328 9989		Budapest		+36 1 328 99 85

ALL OUR REPORTS ARE AVAILABLE ON [WWW.KBC.BE/DEALINGROOM](http://WWW.KBC.BE/DEALINGROOM)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

