



# Central European Daily

Monday, 12 October 2015

## Headlines

### Thin regional calendar after important macro releases, Polish markets might start to eye upcoming elections

A quick look at hard monthly data in the region shows that industry, as the most important driver of growth, performed well before the affair, while inflation remained at very low levels because of the fall in fuel prices. This view may change in a month's time because industrial output data may, at least in part, be adversely impacted by VW's diesel scandal and inflation may also climb. Here we should realise that VW has large production facilities in the Czech Republic as well as Hungary (Škoda and Audi respectively) and that the drop in petrol prices will certainly not reoccur in October. In addition, the positive base-effect related to a sudden fall in oil prices late last year will slowly (and positively) start to influence year-on-year inflation in months to come.

In the days to come, however, the regional events that will interest markets will include politics rather than macroeconomic data. Parliamentary elections will be held in Poland in two weeks' time, and the current liberal government, which has been very popular with the markets, can become an opposition party. A possible change of the government could make Polish financial markets volatile, all the more so because certain programme items promoted by the conservative opposition (PiS), which is the favourite in the upcoming elections according to opinion polls, are not quite market-friendly. Nevertheless, unlike similar episodes in the past, we do not expect contagion to spread to the rest of the region if sell-off of (Polish) assets were to occur ahead/after the elections.

Currencies		% chng
EUR/CZK	27.07	-0.2
EUR/HUF	311.1	0.0
EUR/PLN	4.21	-0.1
EUR/USD	1.14	0.7
EUR/CHF	1.09	0.2

#### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.03	0.08	-0.06	-0.03
EUR/PLN		0.44	0.30	0.01
EUR/HUF			0.08	-0.07
EUR/USD				0.01

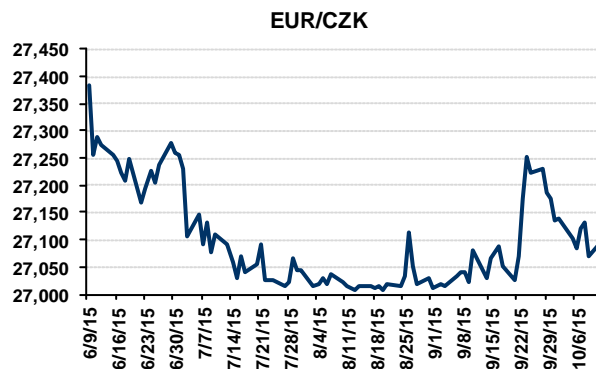
correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.25	0
HUF	1.34	2
PLN	1.72	-2
EUR	-0.04	1

GB	%	bps chng
Czech Rep. 10Y	0.63	-1
Hungary 10Y	3.30	7
Poland 10Y	2.68	1
Slovakia 10Y	0.86	2

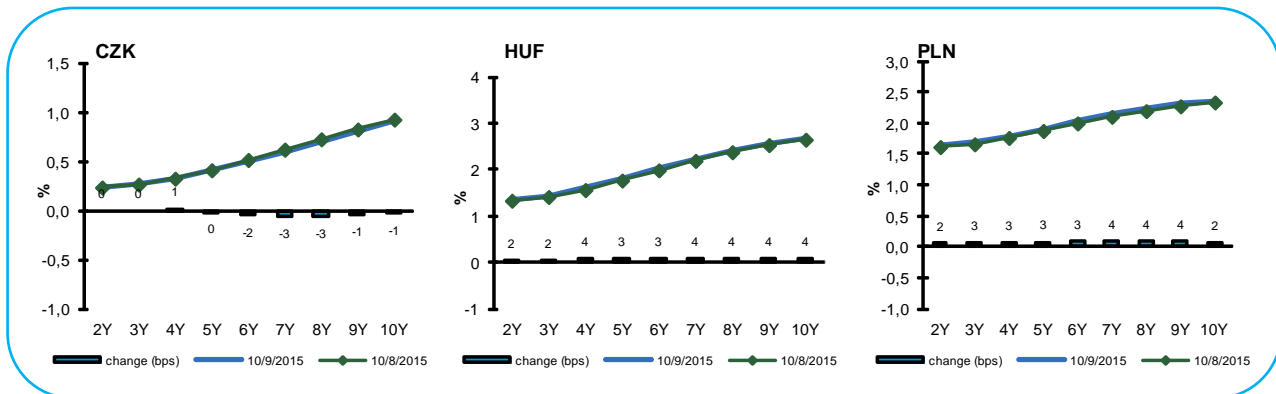
CDS 5Y	%	bps chng
Czech Rep.	49	0
Hungary	166	-1
Poland	76	0
Slovakia	48	-1

Source: Reuters



The EUR/CZK deviation from the 27.0 intervention floor seems to be only short-lived. Actually, the koruna has strengthened after a bit higher September's inflation.

# 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

# Contacts

Brussels Research (KBC)			Global Sales Force		
Piet Lammens		+32 2 417 59 41	<b>Brussels</b>		
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
<b>Dublin Research</b>			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	<b>Prague</b>		+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	<b>Bratislava</b>		+421 2 5966 8820
Budapest Research					
David Nemeth		+36 1 328 9989	<b>Budapest</b>		+36 1 328 99 85

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