



Central European Daily

Friday, 29 April 2016

Headlines

Currencies		% chng
EUR/CZK	27.03	0.0
EUR/HUF	311.2	0.0
EUR/PLN	4.40	0.3
EUR/USD	1.14	0.3
EUR/CHF	1.10	-0.2

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.01	-0.01	0.21	0.12
EUR/PLN		0.27	-0.05	0.00
EUR/HUF			-0.06	-0.16
EUR/USD				0.29

correlations of 30 min changes
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.28	0
HUF	0.88	4
PLN	1.62	-1
EUR	-0.26	-1

GB	%	bps chng
Czech Rep. 10Y	0.48	-2
Hungary 10Y	3.32	6
Poland 10Y	3.08	-1
Slovakia 10Y	0.84	-3

CDS 5Y	%	bps chng
Czech Rep.	42	0
Hungary	144	1
Poland	87	0
Slovakia	41	0

Source: Reuters

Polish economy still in deep deflation

EUR/CZK forwards close to the CNB intervention floor

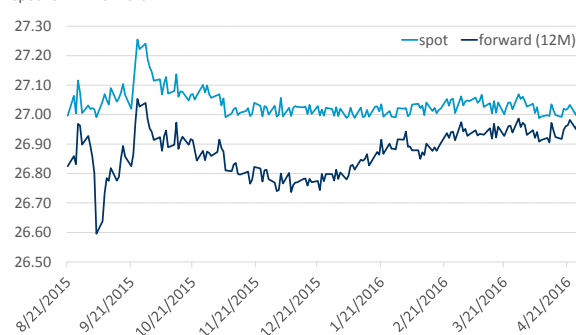
The Central European currencies were under mild pressure yesterday. While the zloty and the koruna slightly weakened, the forint settled only little changed on comments of NBH Deputy Governor Nagy who tried to lower excessive rate cut expectations (see the previous issue of this report for more information). The zloty meanwhile stays close to 2-1/2 month low hit earlier this week.

Regarding the koruna, it also slightly weakened and what is even more interesting, due to the generally calmer situation in money markets, 12 month EUR/CZK forward trades very close to the CNB intervention floor (EUR/CZK 27.0). This may be interesting for some market participants (i.e. exporters) as, strictly speaking, current forecast of the CNB assumes that "the exchange rate will be used as a monetary policy instrument until the end of 2016". Although we expect that the CNB may exit the intervention regime rather in May 2017, the option of the earlier exit cannot be in principle excluded entirely.

Today, the focus is on the release of preliminary estimate of Polish inflation for April. We believe it will indicate stagnation of the year-on-year inflation rate at -0.9%. Although this is a touch higher in comparison with market expectations, we do not expect significant reaction of the zloty to the release. While prices probably grew quite rapidly on the month-on-month basis (+0.4%), with a contribution from increased fuel prices, inflation in general is still well below the central bank's target, and we, just like the central bank, believe that a return to the target is nowhere to be seen at the moment.

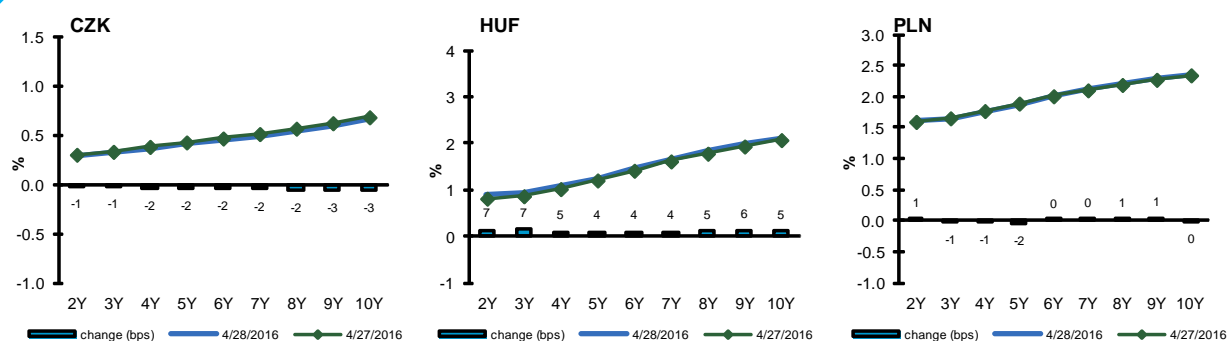
EURCZK

spot vs 12M forward



EURCZK 12M
forward trades very
close to CNB
intervention floor...
(Source: BBG, CSOB)

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	PPI	%	03/01/2016			0.2	-1.6			-1.4	-1.6
CZ	10:00	Money supply M2	%	03/01/2016							9	
PL	14:00	CPI	%	04/2016 *P	0.4	-0.9			0.3	-1	0.1	-0.9

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