



Central European Daily

Friday, 09 October 2015

Headlines

Currencies		% chng
EUR/CZK	27.13	0.0
EUR/HUF	311.3	-0.3
EUR/PLN	4.22	-0.4
EUR/USD	1.13	0.4
EUR/CHF	1.09	-0.3

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.01	0.00	-0.15	-0.04
EUR/PLN		0.44	0.36	-0.10
EUR/HUF			0.30	-0.10
EUR/USD				-0.07

correlations of 30 min changes
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.25	0
HUF	1.32	0
PLN	1.71	-1
EUR	-0.05	-1

GB	%	bps chng
Czech Rep. 10Y	0.64	-1
Hungary 10Y	3.23	-8
Poland 10Y	2.67	0
Slovakia 10Y	0.84	-1

CDS 5Y	%	bps chng
Czech Rep.	50	0
Hungary	167	0
Poland	77	0
Slovakia	49	0

Source: Reuters

Czech inflation to stay below target in months ahead

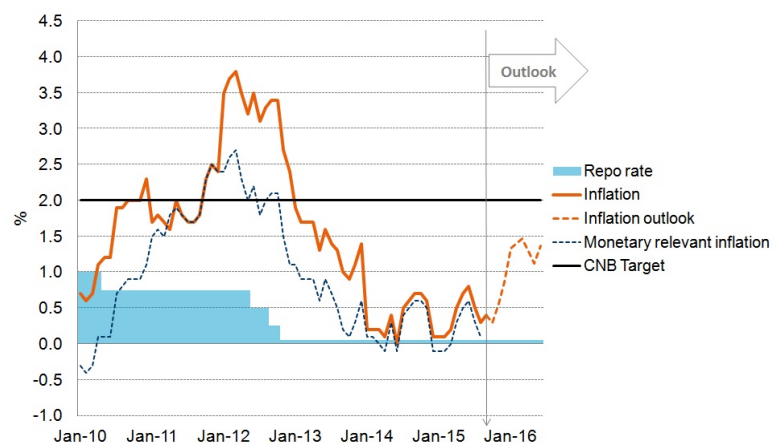
An impact of much lower than expected inflation in Hungary proved only to be short-lived and the forint was only little changed yesterday.

As for the Czech inflation figures for September, they showed a slightly faster year-on-year price growth than in August (0.4% vs. 0.3%). In month-on-month terms, prices fell by 0.2% mainly thanks to lower gasoline prices and seasonally cheaper vacations. Even stronger decline was mitigated only due to rising prices of some food items and seasonally more expensive clothes and footwear. Price growth thus remains well below the inflation target of the Czech National Bank as well as its latest forecast.

Regarding our outlook, we expect only a gradual acceleration of inflation in the months and quarters ahead. For example, we expect energy prices will continue to drag inflation down in 2016. On the other hand, housing, cigarettes and alcohol and food prices should contribute to price increase.

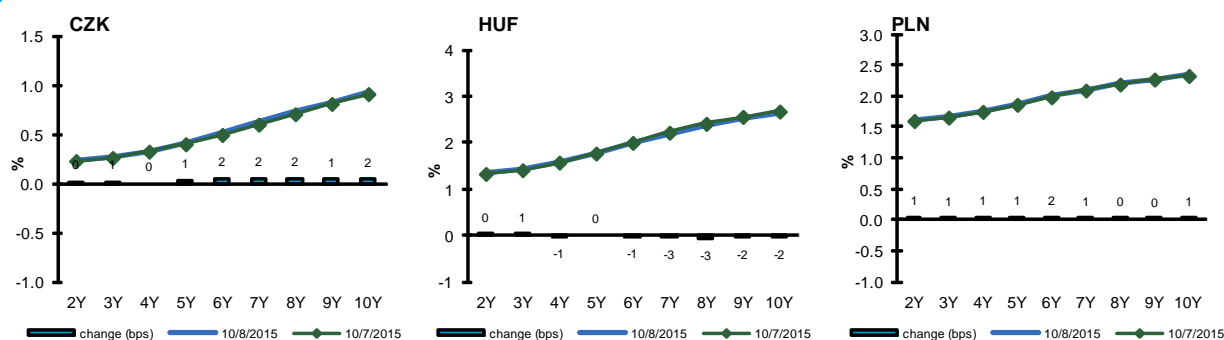
In any case, we currently expect inflation returning to the target only in 2017 which should allow the central bank to stick to its intervention policy and to keep zero lower rates at least to the latter part of the second half of 2016.

CZ: Inflation and interest rates



Source: CZSO, CNB, 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
CZ	9:00	CPI	%	09/01/2015	-0.3	0.2	-0.2	0.4	-0.3	0.3	-0.2	0.3
HU	9:00	Trade balance	EUR M	08/2015 *P			459		645		646	

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