



# Central European Daily

Tuesday, 03 May 2016

## Headlines

Currencies		% chng
EUR/CZK	27.02	-0.1
EUR/HUF	311.0	-0.2
EUR/PLN	4.38	0.3
EUR/USD	1.15	0.7
EUR/CHF	1.10	0.1

### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.19	-0.20	0.00	-0.05
EUR/PLN		0.27	-0.11	-0.14
EUR/HUF			0.02	-0.31
EUR/USD				0.24

correlations of 30 min changes  
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.28	3
HUF	0.87	0
PLN	1.63	0
EUR	-0.25	0

GB	%	bps chng
Czech Rep. 10Y	0.49	-1
Hungary 10Y	3.39	1
Poland 10Y	3.10	2
Slovakia 10Y	0.86	-1

CDS 5Y	%	bps chng
Czech Rep.	41	0
Hungary	144	0
Poland	85	0
Slovakia	42	0

Source: Reuters

### The zloty shrugs-off poor business sentiment data

### The Czech state budget performs strongly this year, which is good news for Czech government bonds

Although yesterday's release of the regional PMI indices showed that business sentiment worsened significantly in the Polish industry, the zloty weakness proved to be only short-lived. The Polish currency could benefit from lower USD interest rates, which brought some further relief to emerging markets.

Meanwhile yesterday, the Czech government failed to reach agreement on a budget framework for next year and for later years and postponed the decision. Interestingly, the budget performance for the current year is hugely positive as the budget balance for the first four months in a year has reached the biggest cumulative surplus since 1993. Recall that the better budget performance has been driven mainly by stronger revenues implied by solid economic growth and good VAT revenues. The positive budget performance is then definitely good news for Czech government bonds, because the planned public budget deficit for this year is targeted at CZK 70bn and such deficit will be very hard to reach unless something very nasty happens with the Czech economy. We think that the public budget deficit will be just CZK 50bn or lower, which implies lower bond supply going forward.

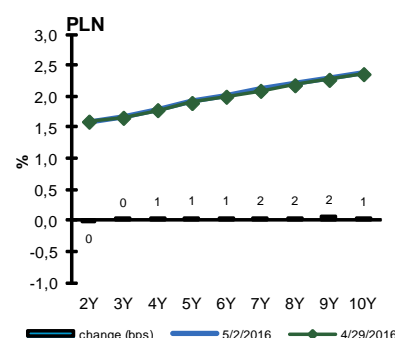
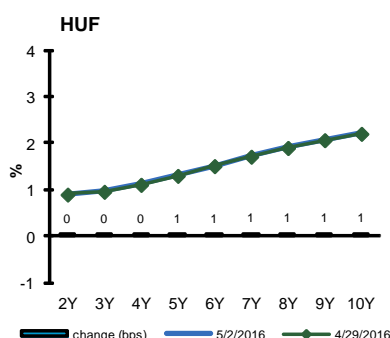
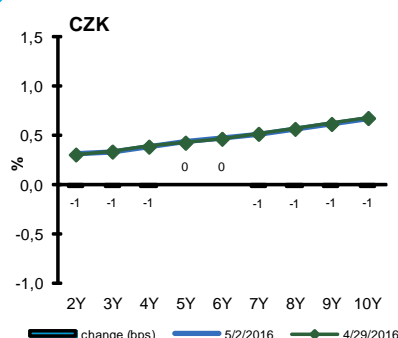
Today, regional markets might monitor a Spring Economic Forecasts from the European Commission, but we do not expect much reaction to these figures.

### CZ: State budget balance



The Czech state budget has been in a huge surplus this year.

# Interest-rate Swap Curves



## Calendar

Country	Time	Indicator	Period	Forecast m/m y/y	Actual m/m y/y	Consensus m/m y/y	Previous m/m y/y
HU	0:00	Earnings Magyar Telekom	HUF 1Q/2016				
HU	9:00	Trade balance	EUR M 02/2016 *F		978		979

## 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

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