



# Central European Daily

Friday, 19 February 2016

## Headlines

### Another comment against CNB's negative interest rates

CNB's vice-governor Mojmir Hampl created more headlines in Czech financial media as he said yesterday that the central bank's first line of defense for price stability so **if the situation in the world worsened he would be for further weakening of the koruna, not negative interest rates.** Hampl added that if the global situation develops badly over a long period, one of the most attractive countermeasures for him might be a 'helicopter drop' meaning a large payment to all citizens to boost consumer demand. However, he said that we are not there yet and that the CNB is now busy determining how to exit from the FX intervention regime. In our view it will come in the first half of 2017.

Meanwhile, the EUR/HUF pair wobbled in a very narrow range yesterday close to the 310 level. This is fairly neutral signal for The National Bank of Hungary holds rate setting meeting on 23rd February (next Tuesday). Although there is not a huge question about the outcome of the decision, the market expects no rate cut (keeping base rate at 1.35%), the stance of the statement will be important. The last month the Council highlighted that the loose monetary policy may remain for an extended period and the future steps will depend on the March inflationary report and the ECB's and FED's March meeting as well.

All in all **the stance of the NBH might remain rather dovish on Tuesday, but the statement is likely to highlight that the base rate planned to be unchanged till middle or end of 2017,** and the NBH is rather focusing on unconventional tools. But we still not rule out fully possible rate cut especially in case ECB cuts further and FED postpones the tightening cycle. Additionally the planned zero deficit of fiscal balance together with a possible upgrade of Hungary's rating in May and June may push the EUR/HUF below 305, which might be uncomfortable for NBH. So if there will be a rate cut, than we expect it for around May.

Currencies		% chng
EUR/CZK	27.01	0.0
EUR/HUF	309.7	-0.1
EUR/PLN	4.39	-0.1
EUR/USD	1.11	-0.2
EUR/CHF	1.10	-0.1

#### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.02	0.08	0.27	0.09
EUR/PLN		0.36	0.26	0.02
EUR/HUF			0.12	0.08
EUR/USD				0.31

correlations of 30 min changes over past 5 sessions

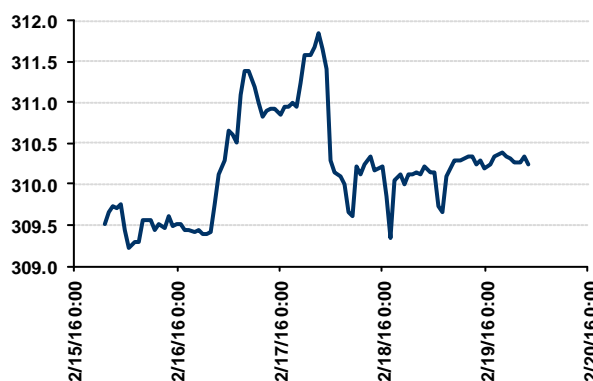
FRA 3x6	%	bps chng
CZK	0.20	1
HUF	1.30	-1
PLN	1.46	-1
EUR	-0.28	-1

GB	%	bps chng
Czech Rep. 10Y	0.46	-1
Hungary 10Y	3.46	2
Poland 10Y	2.96	-6
Slovakia 10Y	0.59	-5

CDS 5Y	%	bps chng
Czech Rep.	46	0
Hungary	163	0
Poland	91	0
Slovakia	46	0

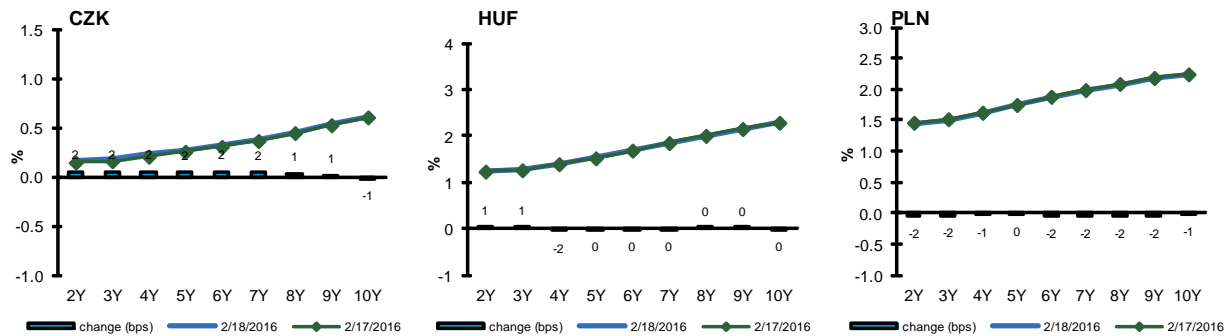
Source: Reuters

### EUR/HUF



The EUR/HUF still hovers at around the 310 level.

# 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

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