



# Central European Daily

Tuesday, 06 October 2015

## Headlines

### NBP to keep rates unchanged, focus on external disinflationary risks will strengthen

Today, all eyes are on the meeting of the National Bank of Poland. We expect the bank to leave interest rates unchanged. Although the Polish economy has recently produced a few less favorable figures (inflation, PMI), members of the Monetary Policy Council (MPC) do not appear to be willing to cut the base rate below the all-time low of 1.5 %. At the same time, weaker macroeconomic data and overall higher level of uncertainty (emerging markets and recently also US labour market figures) could cool down hawkish mood of some MPC members.

In this respect, reaction of Polish markets on disappointing US labour market data last Friday was particularly interesting; market's bet on interest rate cut in Poland in the 6 – 12 month horizon strengthened. For example, one 25bps rate cut in the 9 months horizon has been fully priced in since then (see the chart below).

We anticipate rate stability in Poland until the end of this year at least. The scenario seems to be justified not only by current economic situation but also by expected major personal changes in the MPC line-up early next year. As for the longer-term outlook, we keep our base case and expect interest rates to remain stable. At the same time, we assess risks as skewed towards further easing, especially if the ECB decides to extend its quantitative easing programme.

Currencies		% chng
EUR/CZK	27.10	-0.1
EUR/HUF	312.0	0.1
EUR/PLN	4.24	-0.1
EUR/USD	1.12	-0.2
EUR/CHF	1.09	0.2

#### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.09	-0.02	-0.10	-0.03
EUR/PLN		0.56	0.26	0.07
EUR/HUF			0.30	0.00
EUR/USD				0.23

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.26	0
HUF	1.31	1
PLN	1.68	0
EUR	-0.05	0

GB	%	bps chng
Czech Rep. 10Y	0.65	1
Hungary 10Y	3.27	-5
Poland 10Y	2.60	-6
Slovakia 10Y	0.88	4

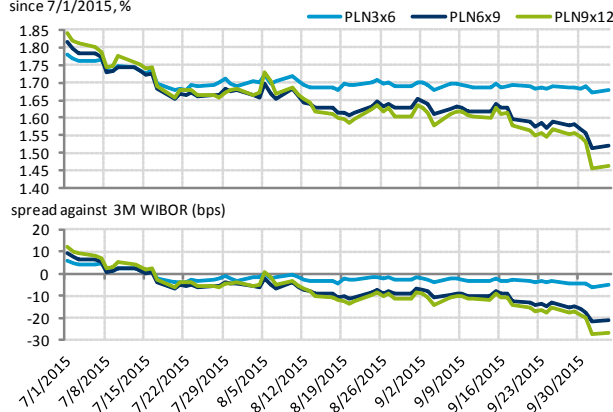
  

CDS 5Y	%	bps chng
Czech Rep.	49	-2
Hungary	162	-6
Poland	74	0
Slovakia	50	-2

Source: Reuters

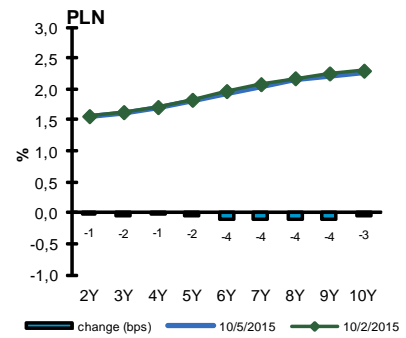
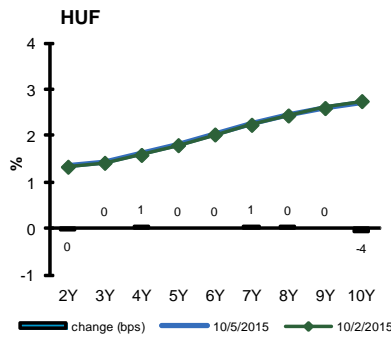
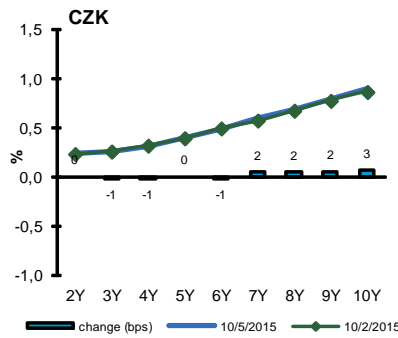
#### PL: FRA rates

since 7/1/2015, %



Money markets bet on NBP rate cut in 9 month horizon... (Source: Bloomberg, 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	Trade balance (national)	CZK B 08/01/2015	0		-0.1		2.1		6.8	
PL	14:00	NBP meeting	% 10/01/2015	1.5				1.5		1.5	
HU	16:00	Budget balance	HUF B 09/2015							-914.9	

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