



Central European Daily

Wednesday, 30 September 2015

Headlines

Propelled by domestic demand, Czech economy booms

Polish consumer prices stayed likely flat in September

Yesterday, only 25.25 billion HUF's offer arrived for the 20 billion HUF's 3 month Treasury bill on bond auction of the Hungarian Government debt Management Agency. According to our assumption it is driven by the fact that banks are required to get rid-off riskier assets at the end of the year and since Hungary's rating is still not offered for investments therefore banks try to moderate purchase of securities which expire at the beginning of next year. On the other hand, yields hit such low level that it is uncertain if these were attractive for foreign investors.

The Czech economy was growing faster in the second quarter this year than preliminary data indicated. According to a revision published today by the Czech Statistical Office, GDP jumped up 1.1% quarter-on-quarter and 4.6% year-on-year. The accelerating growth was driven by domestic demand as households' consumption rose by 3.1% y/y and fixed investments increased by 7.3% y/y. We believe that the Czech economic growth has maintained momentum also in the third quarter; hence our GDP growth projection stands at 4.3% y/y. Obviously, the Czech domestic demand has been supported by strong monetary expansion as the Czech National Bank accommodates ECB's relaxed policy through quasi-fixed exchange rate regime. In this respect, today's release of M2 growth in August it is worth noting, showing robust credit growth of 7.9% y/y (see the chart below).

Later today, the Polish Statistical Office will release the first (ever) flash estimate of headline inflation. We expect the aggregate CPI index to be flat in September, while dropping 0.6% year-on-year. Since the market thinks that the CPI declined 0.7% y/y in September, we believe that a notch higher actual inflation could calm down rate cut bets, which have been partly priced in the front end of the yield curve.

Currencies		% chng
EUR/CZK	27.19	-0.2
EUR/HUF	313.4	-0.5
EUR/PLN	4.24	-0.1
EUR/USD	1.12	0.0
EUR/CHF	1.09	-0.2

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.03	0.12	0.21	-0.02
EUR/PLN		0.56	0.25	-0.06
EUR/HUF			0.27	-0.05
EUR/USD				0.12

correlations of 30 min changes
over past 5 sessions

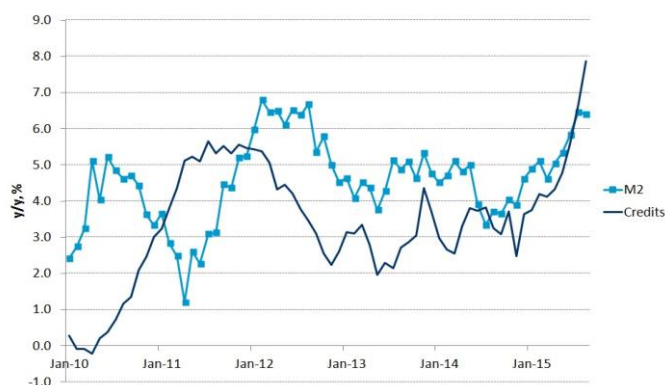
FRA 3x6	%	bps chng
CZK	0.26	0
HUF	1.33	0
PLN	1.69	-1
EUR	-0.05	-2

GB	%	bps chng
Czech Rep. 10Y	0.69	-5
Hungary 10Y	3.33	-6
Poland 10Y	2.84	2
Slovakia 10Y	0.88	-1

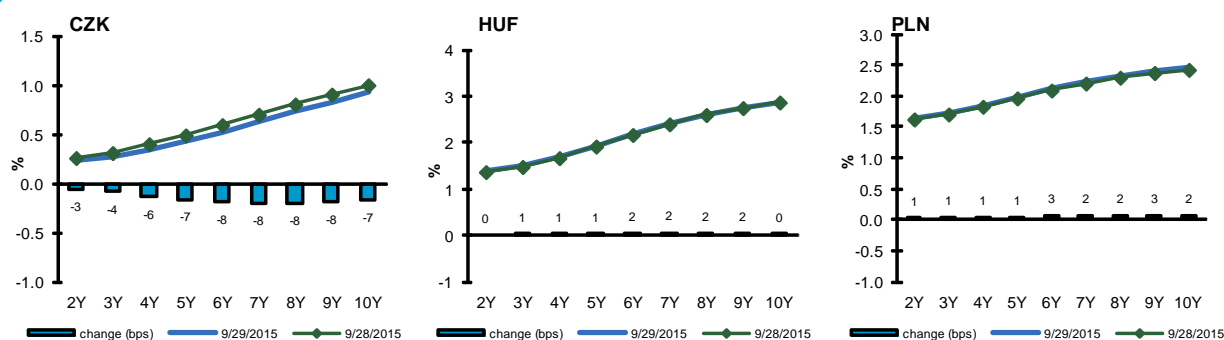
CDS 5Y	%	bps chng
Czech Rep.	51	2
Hungary	168	6
Poland	76	0
Slovakia	52	2

Source: Reuters

Czech monetary expansion



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	GDP	%	2Q/2015 *F			1.1	4.6	0.9	4.4	1	4.4
HU	9:00	PPI	%	08/01/2015			-0.5	-0.8			-0.7	0.3
CZ	10:00	Money supply M2	%	08/2015								6.5

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