



Central European Daily

Tuesday, 01 December 2015

Headlines

| Currencies | | % chng |
|------------|-------|--------|
| EUR/CZK | 27.02 | 0.0 |
| EUR/HUF | 310.5 | -0.4 |
| EUR/PLN | 4.27 | 0.0 |
| EUR/USD | 1.06 | -0.3 |
| EUR/CHF | 1.09 | -0.4 |

| | EUR/PLN | EUR/HUF | EUR/USD | EUR/CHF |
|---------|---------|---------|---------|---------|
| EUR/CZK | 0.13 | 0.17 | 0.14 | 0.07 |
| EUR/PLN | | 0.45 | 0.07 | -0.10 |
| EUR/HUF | | | 0.26 | 0.08 |
| EUR/USD | | | | 0.14 |

correlations of 30 min changes over past 5 sessions

| FRA 3x6 | % | bps chng |
|---------|-------|----------|
| CZK | 0.14 | -4 |
| HUF | 1.34 | 0 |
| PLN | 1.60 | -2 |
| EUR | -0.22 | 0 |

| GB | % | bps chng |
|----------------|------|----------|
| Czech Rep. 10Y | 0.53 | 0 |
| Hungary 10Y | 3.31 | -5 |
| Poland 10Y | 2.69 | 7 |
| Slovakia 10Y | 0.70 | 1 |

| CDS 5Y | % | bps chng |
|------------|-----|----------|
| Czech Rep. | 51 | 0 |
| Hungary | 156 | 0 |
| Poland | 72 | 0 |
| Slovakia | 50 | 0 |

Source: Reuters

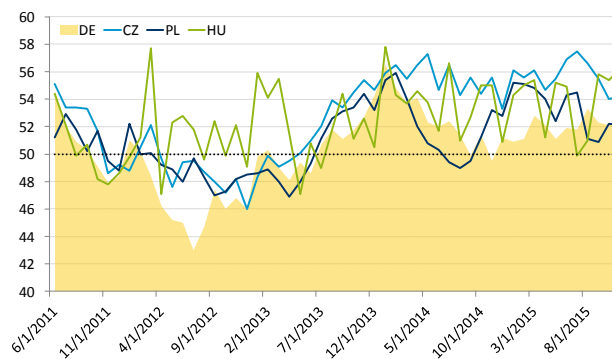
Rising bets on CNB's rate cut

Regional PMIs weaker than expected but still strong

The Central European currencies experienced another calm session yesterday. As for the zloty, neither a revision of the Polish GDP for the third quarter 2015 nor a flash CPI estimate for November had a visible impact. Similarly the Czech koruna ignored comments by CNB's governor Singer reiterating lasting need for easy monetary conditions despite a relatively strong economic growth. We can interpret Mr. Singer's remarks as another assurance that the exit from the intervention regime won't be hastened rather than a hint at further monetary easing. Interestingly enough, market bets on a CNB rate cut have risen significantly over the past few days. The most likely explanation of the development is that also the ECB has been widely expected now to deliver a rate cut next Thursday.

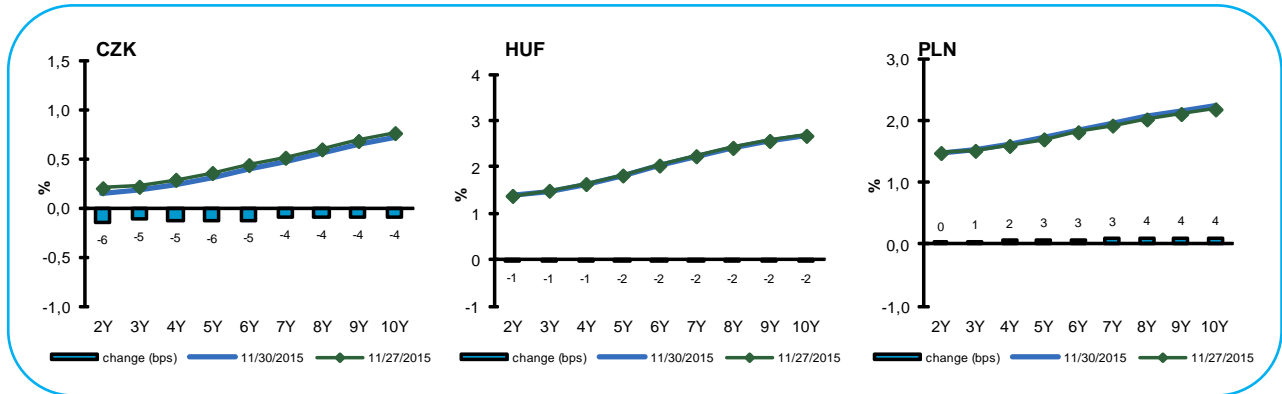
Regarding fresh regional PMI figures, those came out slightly weaker than predicted both in Poland and the Czech Republic. In the latter country, although the downfall in the new orders component of the PMI may look worrisome the overall index still remains well above the breakeven level of 50 points. As for Poland, the index value reached 52.1 points and hence changed only little m/m. A record-long period of the employment sub-index hovering above the 50 points level has been promising a strong support for the economy from the side of households' consumption during the quarters to come.

PMI: CE vs Germany



Regional PMIs a touch weaker than expected in November but still strong... (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 |
| PL | 9:00 | PMI manufacturing | 11/01/2015 | | | 52.1 | | 52.6 | | 52.2 | |
| HU | 9:00 | PMI manufacturing | 11/01/2015 | | | 56.2 | | | | 55.3 | |
| CZ | 9:30 | PMI manufacturing | 11/2015 | | | | | 54.5 | | 54 | |
| CZ | 14:00 | Budget balance | CZK B 11/01/2015 | | | | | | | -29.1 | |

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 |

ALL OUR REPORTS ARE AVAILABLE ON WWW.KBC.BE/DEALINGROOM

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

