



Central European Daily

Monday, 21 May 2012

Headlines

Currencies		% chng
EUR/CZK	25.26	-0.8
EUR/HUF	298.2	0.2
EUR/PLN	4.35	-0.2
EUR/USD	1.28	0.7
EUR/CHF	1.20	0.0

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.52	0.56	-0.63	0.00
EUR/PLN		0.66	-0.56	0.13
EUR/HUF			-0.61	0.18
EUR/USD				-0.14

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	1.07	9
HUF	7.23	0
PLN	5.15	2
EUR	0.67	0

GB	%	bps chng
Czech Rep. 10Y	3.31	0
Hungary 10Y	8.57	7
Poland 10Y	5.48	-2
Slovakia 9Y	5.94	5

CDS 5Y	%	bps chng
Czech Rep.	135	10
Hungary	576	3
Poland	247	0
Slovakia	275	0

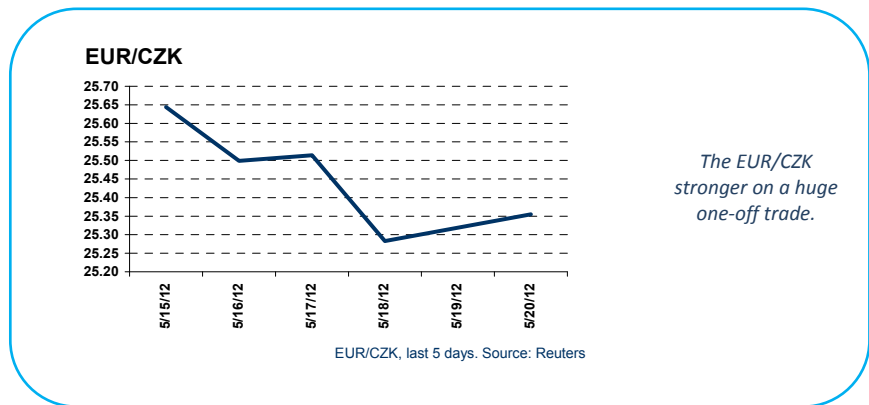
Source: Reuters

CEE currencies calm downs for a while

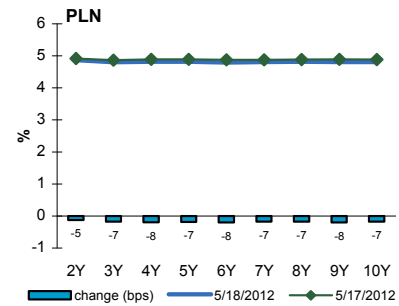
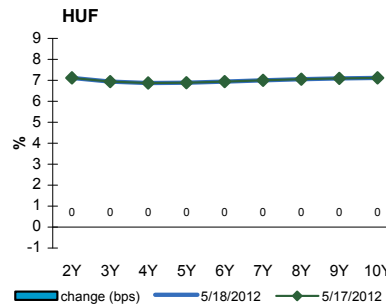
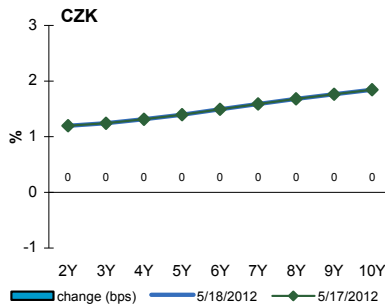
Polish macro-figures should confirm flat-rate scenario

CEE currencies calmed down on Friday and clearly outperformed other EMEA markets. Certain stabilisation on the EUR/USD par could have helped the zloty and the koruna. In the case of the koruna's - its nearly 1% gain move was helped by a huge one off buying order. That means the Czech currency may remain more vulnerable once the Greek issue comes back to the centrepiece. For now, we see some room for a short-term relief, but we keep our overall negative stance for the weeks ahead the Greek early elections.

This week, we focus on series of the Polish macro-data that should confirm our scenario of flat interest official rates in Poland. Given worsening prospects for domestic demand and growing external risks one can hardly imagine further tightening. On Friday, weaker than expected employment and slower wage growth played in favour of no-change scenario and today we believe the May industrial output should stay at very moderate levels too. Nevertheless central bankers from the NBP are probably waiting for GDP figures (scheduled for next week) to come up with more decisive comments. Recall that the NBP hiked the interest rates in May and left the doors opened for further tightening. Nevertheless Governor Belka's comments after the meeting were rather moderate. Although markets priced in further hikes after the May meeting, we see these chances very small now.



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	14:00	Industrial output	%	04/2012				-7.2	2.8	10.7	0.7
PL	14:00	PPI	%	04/2012				0.5	4.3	0.1	4.5

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