



Central European Daily

Tuesday, 22 May 2012

Headlines

Currencies		% chng
EUR/CZK	25.09	-0.7
EUR/HUF	295.7	-0.8
EUR/PLN	4.31	-0.8
EUR/USD	1.28	0.2
EUR/CHF	1.20	0.0

CE currencies continue to erase their losses

The IMF satisfied with the Czech economy

Regional currencies plus Hungarian and Polish government bonds have continued to recover as sentiment in vulnerable Eurozone bond markets has improved further.

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.54	0.55	-0.61	0.10
EUR/PLN		0.63	-0.57	0.09
EUR/HUF			-0.61	0.01
EUR/USD				-0.01

correlations of 30 min changes over past 5 sessions

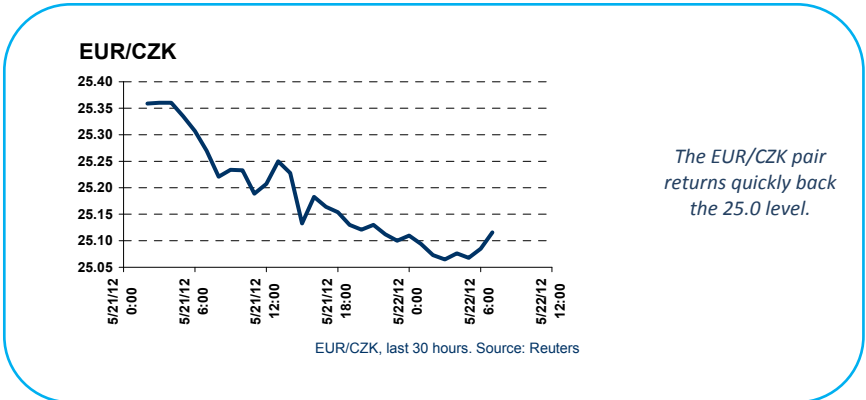
FRA 3x6	%	bps chng
CZK	1.04	-3
HUF	7.25	2
PLN	5.13	-2
EUR	0.65	-1

There no regional market movers with one small exception – the IMF regular appraisal of the Czech economy in the context of Article IV consultation. Recall that the Fund was generally satisfied with both fiscal and structural reforms, which should secure long-term sustainability of the public sector. Interestingly, the IMF actually warned that the government should avoid an overly concretionary stance. Moreover, the Fund suggests that although the monetary policy is at the appropriate level more easing should come. In this respect let us remind that the Report had been completed on April 19, so few week before Czech central bankers began to indicate that a rate cut could come. Interestingly, the IMF even recommended that the CNB should use forex interventions (against the koruna) in case the exchange fails to fully respond to negative shocks (to contagion from the EMU) and inflation undershoot its target. We do not think that such a scenario is likely, though one can not rule it out.

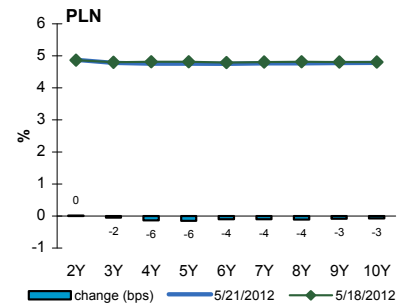
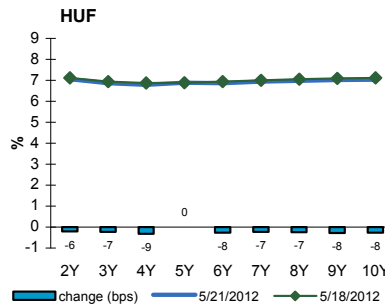
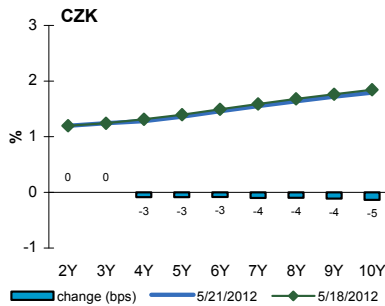
GB	%	bps chng
Czech Rep. 10Y	3.31	0
Hungary 10Y	8.51	-6
Poland 10Y	5.45	-4
Slovakia 9Y	5.94	5

CDS 5Y	%	bps chng
Czech Rep.	135	5
Hungary	578	2
Poland	251	0
Slovakia	275	0

Source: Reuters



Interest-rate Swap Curves



Calendar

Country	Time	Indicator	Unit	Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
PL	14:00	Core CPI	%	04/2012					0.5	2.6	0.3	2.4

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