



Central European Daily

Tuesday, 21 May 2013

Headlines

Currencies		% chng
EUR/CZK	26.15	0.5
EUR/HUF	290.5	0.0
EUR/PLN	4.18	0.3
EUR/USD	1.29	0.3
EUR/CHF	1.25	-0.2

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.06	0.36	-0.15	0.14
EUR/PLN		0.39	-0.01	0.04
EUR/HUF			-0.14	0.10
EUR/USD				-0.24

correlations of 30 min changes
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.46	0
HUF	3.83	0
PLN	2.47	0
EUR	0.19	1

GB	%	bps chng
Czech Rep. 10Y	1.56	8
Hungary 10Y	5.00	-1
Poland 10Y	3.28	5
Slovakia 10Y	2.48	0

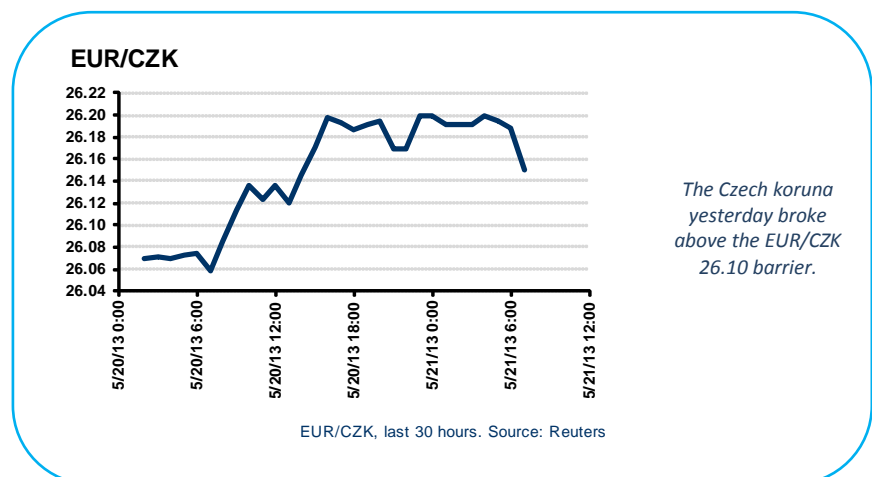
CDS 5Y	%	bps chng
Czech Rep.	57	0
Hungary	274	0
Poland	78	0
Slovakia	91	0

Source: Reuters

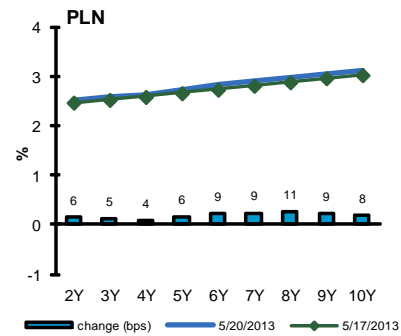
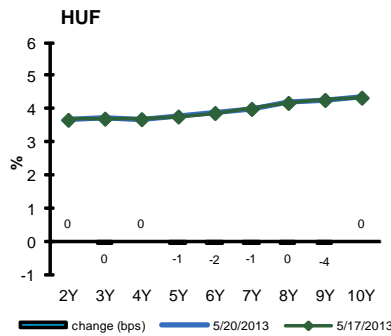
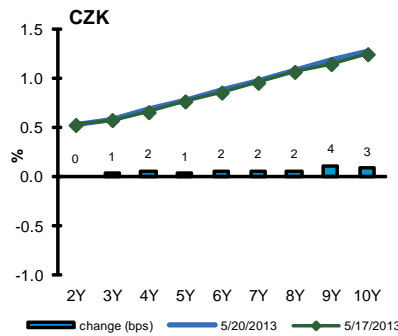
While the Czech koruna hits 3-year low,the Hungarian forint continues in its rally

Yesterday, the Czech koruna hit its 3-years low when it weakens to 26.18 EUR/CZK. The koruna was already hit last Wednesday by worse-than-expected GDP figures and thenceforth lost more than 1%. The sell-off of the Czech currency has continued even this week. There might have been several other factors behind the weakening of the Czech currency. Some effect could have IMF's comments. The fund expressed its support to Czech central bank's plan to intervene to weaken the koruna if necessary. Moreover, we do not exclude a possibility of carry trades between the Czech and the Hungarian currency, which could explain the recent regional decoupling. While the koruna has lost almost 2% of its value from the beginning of May, the forint by the same time strengthen by almost 3%. Thus, the Hungarian currency shortly got below 290 EUR/HUF.

Meanwhile in Poland the zloty slightly weakened yesterday, but the technical barrier at the 4.20 EUR/PLN level has not been broken yet. The market eyes some interesting data from the domestic economy: industrial output, retail sales and unemployment. These releases may complete the picture about the Polish economy, which according to preliminary GDP figures is not in such a good shape as was expected. So, today's release of the industrial output might strengthen speculations on another rate cut, which could be delivered already at the NBP meeting in June. Currently, the fixed-income market has been pricing a 50 bps reduction of the NBP base rate by the end of this year.



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	%	04/01/2013				-1.7	3.1	9.2	-2.9
PL	14:00	PPI	%	04/01/2013				-0.2	-1.5	-0.2	-0.6

Contacts

Brussels Research (KBC)

Piet Lammens	+32 2 417 59 41
Peter Wuyts	+32 2 417 32 35
Joke Mertens	+32 2 417 30 59
Mathias van der Jeugt	+32 2 417 51 94

Dublin Research

Austin Hughes	+353 1 6646892
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Prague Research (CSOB)

Jan Cermak	+420 2 6135 3578
Jan Bures	+420 2 6135 3574
Petr Baca	+420 2 6135 3570

Bratislava Research (CSOB)

Marek Gabris	+421 2 5966 8809
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Warsaw Research (CSOB)

Budapest Research (CSOB)

Gyorgy Barcza	+36 1 328 99 89
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Global Sales Force

Brussels	
Corporate Desk	+32 2 417 45 82
Commercial Desk	+32 2 417 53 23
Institutional Desk	+32 2 417 46 25
London	+44 207 256 4848
Frankfurt	+49 69 756 19372
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Budapest	+36 1 328 99 63
Warsaw	+48 22 634 5210
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