



# Central European Daily

Wednesday, 19 June 2013

## Headlines

Currencies		% chng
EUR/CZK	25.64	0.2
EUR/HUF	293.9	0.7
EUR/PLN	4.27	0.7
EUR/USD	1.34	-0.1
EUR/CHF	1.23	-0.1

### Czech central bankers talk against koruna

### New Hungarian leading indicator

Uncertainty ahead of today's outcome of Fed meeting weighed on the Polish zloty and the Hungarian Forint. Both lost around 0.8% on fears of the approaching end of Fed's QE policy. The Czech koruna, in contrast, remains resilient both to uncertainty ignited by the Fed and ongoing domestic political crisis.

#### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.06	0.01	-0.18	0.20
EUR/PLN		0.55	0.01	-0.25
EUR/HUF			-0.08	-0.17
EUR/USD				-0.36

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.48	-3
HUF	4.02	14
PLN	2.60	4
EUR	0.26	1

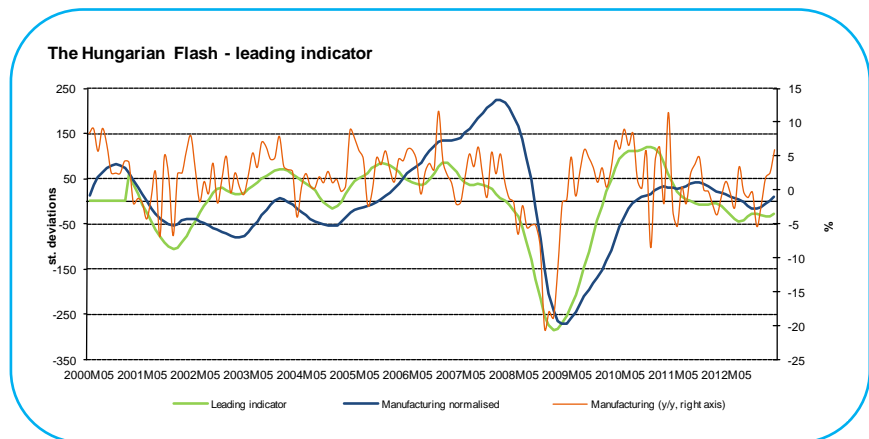
GB	%	bps chng
Czech Rep. 10Y	2.04	5
Hungary 10Y	5.87	10
Poland 10Y	3.87	9
Slovakia 10Y	2.54	3

CDS 5Y	%	bps chng
Czech Rep.	64	0
Hungary	298	15
Poland	81	0
Slovakia	88	0

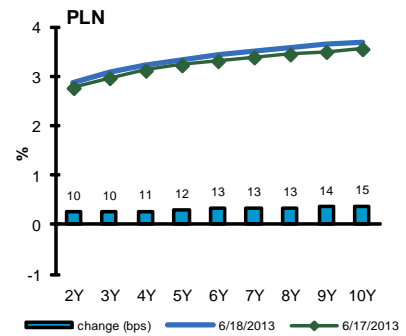
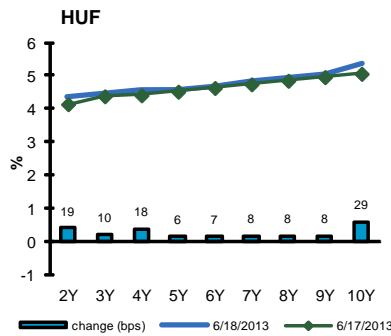
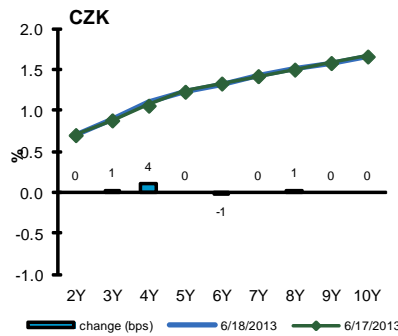
Source: Reuters

Although the koruna can continue to ignore domestic politics as well as regional volatility, the room for further gains is rather limited. Lower than expected inflation should weaken implicitly targeted exchange rate in the next CNB inflation report. The latest available forecast sees EUR/CZK average at 25.70 in Q2 2013 and only very moderate strengthening to 25.50 in Q4 2013. Yesterday, central banker Lízal acknowledged that "it seems much more likely that there will be need to intervene, compared with what appeared at the beginning of the year". And this morning, vice governor Tomšík argued that weaker exchange rate might be needed to stabilise inflation expectations. After merging all these news with results of technical analysis, it seems likely that EUR/CZK is ready to weaken in the soon and eventually re-test 26.00 EUR/CZK.

We have also introduced a new Hungarian "Flash" – a leading indicator for Hungarian industrial cycle based on IFO, PMI and new orders. The Flash precedes the production cycle by 2.6 months on average, with high variability, though, if compared with Czech and Polish indicators. The overall track record of the new indicator is good, despite the fact that it occasionally sends false signals. Currently, the Hungarian Flash projects a modest recovery (see the graph below)



# 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	%	05/01/2013				-0.3	-1.9	-2.3	2.7
PL	14:00	PPI	%	05/01/2013				0	-2.5	-0.6	-2

# 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
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