

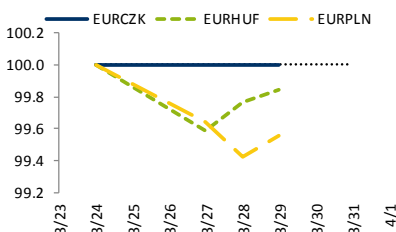


Central European Daily

Wednesday, 29 March 2017

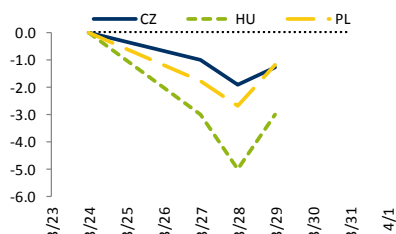
Regional Overview

Forex markets (index)



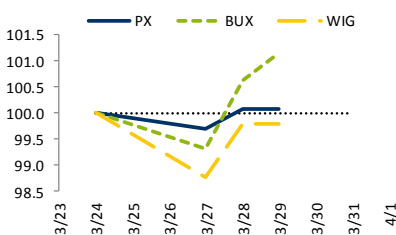
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	0.00
EURHUF	309.9	309.6	0.07
EURPLN	4.243	4.237	0.13

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.918	0.912	0.6
HUGB 10Y	3.34	3.32	0.6
PLGB 10Y	3.54	3.52	0.4

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	983.2	983.2	0.00
BUX	32463	32294	0.52
WIG	58939	58939	0.00

Macro, FX & Rates: NBH brings further curve steepening

(HU) Macro & Rates Yesterday, the National Bank of Hungary moderated further the cap of 3-month deposit, from HUF750bn to HUF500bn till the end of 2Q17. It means a slightly bigger cut than the market expectation. The NBH introduces new tools as well, it will keep 6-month and 12-month FX swap tenders in the future as well. The NBH published its new forecast about GDP growth and inflation. In case of the former they didn't change the expectation, remained at 3.6% Y/Y for 2017 and 3.7% Y/Y for 2018. In case of the CPI they increased the forecast from 2.4% Y/Y to 2.6% Y/Y for 2017, while kept unchanged at 3% Y/Y for 2018.

It is slightly interesting that NBH speaks still about unused capacities, although there are many sectors where Hungary is definitely short of capacities and labor force, so we think that NBH is too dovish from that perspective. NBH's inflation forecast doesn't reflect such a big cut of 3-month deposit either. And it is even more interesting that the statement still speaks rather about further loosening of monetary conditions. So it looks like that NBH keeps inflation less and less in the focus.

We maintain our view that there is quite high risk that inflation may move well above 3% Y/Y in 2018, but as the NBH has a tolerance band of +/- 1%pt around the inflation target of 3% Y/Y, it may react on the accelerating consumer price index only very slowly. Also we still believe in that any change of NBH's monetary policy stance may come only after the government starts its fiscal loosening during the autumn. So the chance of cutting further the 3-month cap (to around HUF300bn) for 3Q17 is relatively high. It may keep pressure on the short-end of the curve and on the Bubor (internal banking rate), so the yield curve might steepen slightly in the coming months.

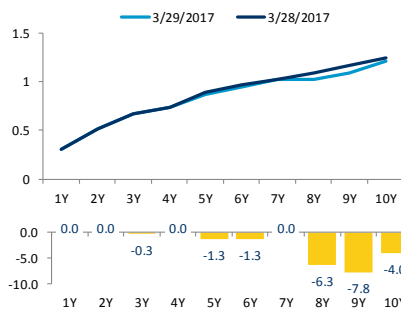
Equities: O2 ČR supported by T-Mobile price hikes

(CZ) O2 ČR's competitor T-Mobile announced new rates yesterday. / **POSITIVE** New rates that provide more data but otherwise are as expensive, or more expensive, than current rates. Its lowest monthly fee will now be CZK 499, instead of CZK 350. This includes unlimited calling, 0.5GB of data and CZK 1.50 for an SMS. A data plan with 10GB costs CZK 499, with charges of CZK 3.50 per minute for calls and CZK 1.50 per SMS. Its most popular current plan (which costs CZK 749 per month and offers unlimited calling and 1.5GB of data) will be replaced by a plan that costs CZK 799, with 4GB of data. Under all the new plans, service will be shut off once the data limit is reached.

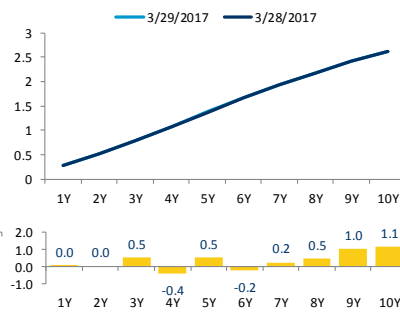
(PL) TMT: Cable and telecom operators are competing with bundled services, which are growing increasingly popular among Poles, the daily Rzeczpospolita writes citing signals from the sector. Last year over 0.5 mln households are estimated to have taken advantage of the offer. / **NEUTRAL.** Bundling is one of the strongest trends on the media and telecom market these days and market in Poland tend to be very competitive.

Interest-rate Swap Curves

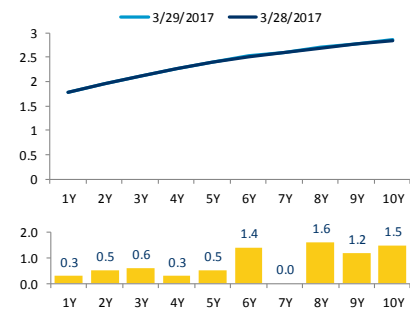
CZK *



HUF *



PLN *



* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points

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
HU	9:00	Unemployment rate	%	02/01/2017			4.4		4.2		4.3	

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