

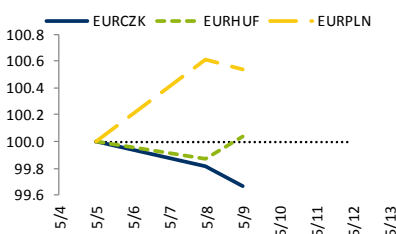


# Central European Daily

Tuesday, 09 May 2017

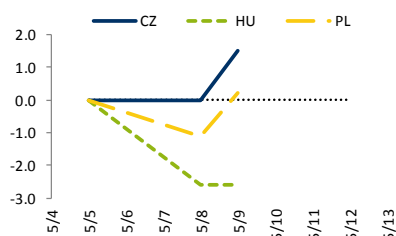
## Regional Overview

### Forex markets (index)



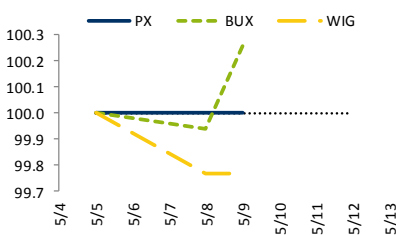
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.63	26.67	-0.15
EURHUF	311.7	311.2	0.17
EURPLN	4.230	4.233	-0.07

### Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.620	0.605	1.5
HUGB 10Y	3.13	3.13	0.0
PLGB 10Y	3.46	3.45	0.4

### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1005.9	1005.9	0.00
BUX	32949	32845	0.32
WIG	61687	61687	0.00

### Macro, FX & Rates: Wild Czech politics versus firm CZK

**(CZ) Macro** The Czech political crisis/saga continues with the Czech President, Milos Zeman, demanding the Prime Minister Bohuslav Sobotka (Soc-Dem), to terminate the agreement that formed the coalition government in order for his approval to dismiss the finance minister, Andrej Babis (ANO – junior coalition party). This is all resulting in a deepening of the rift between the country's two leaders. With a regular election due in October, Sobotka is demanding the president dismiss Babis, but the finance minister, who heads the anti-establishment ANO party, has found an ally in Zeman who has long had poor relations with the prime minister. Sobotka, who heads the centre-left Social Democrats (CSSD), asked Zeman on Friday to dismiss Babis by May 9, but the president has refused to do so. With the president citing that removing any minister without the approval of the minister's own party (ANO, in this case), would be a violation of the coalition agreement. President Zeman also requested that the PM name a replacement for the Finance Minister position for without this would leave a post unfilled which would be seen as extremely irresponsible. To add confusion to the mix, last Friday the PM reneged on his offer to resign along with his whole government.

*So far (and as usual) the Czech koruna seems to more or less ignore the politics. The long-positioned speculators have been patient so far and concentrate more on the monetary policy's stance. The CNB surprised last week with slightly more hawkish stance and that is probably more important for now.*

### Equities: Richter's revenue beat expectations

**(HU) RICHT:** Richter 1Q17 revenue HUF 112.7bn vs. our expectation of 105.1bn; 1Q17 Net Income HUF 19.8bn vs. our expectation of 14.7bn. Richter cites significant gain in net financial income or higher sales performances achieved in all regions. No detailed consensus has been available.

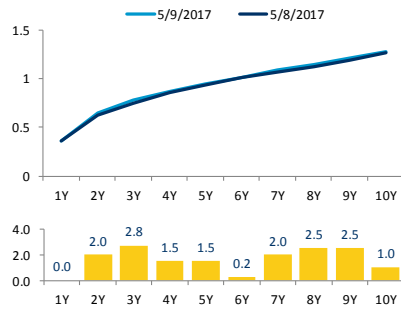
*Revenues had beat estimates and grew by 26.1 percent YoY, HUF 112.7 billion is a new quarterly record, main drivers were the strong RUB, Esmya sales (+44% y/y). Revenues were better than the previous guidance in any region in 1Q. On the other hand, gross margin dropped back due price erosion and tightening regulatory measures. We expect first reaction positive, but press conference could change everything, because you know... the traditionally conservative outlooks (first time, weaker margins might confirms management conservativeness). We need further comments on the direct costs and more information about Esmya outlook.*

### Preview for tomorrow: Hungarian and Czech inflation

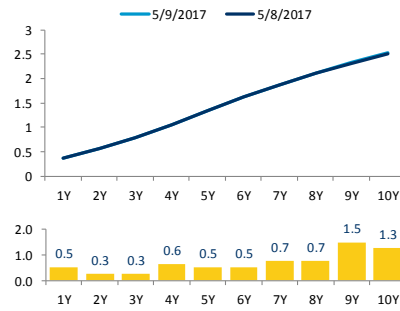
**(HU) Macro:** Hungary's inflation is expected to fall from 2.7% Y/Y to 2.2% Y/Y in April. The main reason is base effect as fuel price jumped a year ago, and also market services prices increased substantially. While in this year fuel price are falling due to the moderation of oil price and the cut of excise duty of fuel. We expect that April may be the lowest read of inflation of this year as domestic demand is still strong, wages are increasing by 10% YoY and the harvest of fruits and vegetables might be worse than a year ago thank to the bad weather conditions in this year.

# Interest-rate Swap Curves

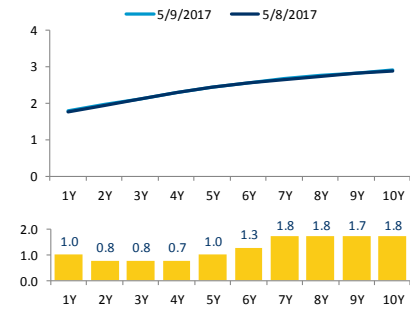
CZK \*



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	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	9:00	Retail sales	% 03/01/2017		6.8		10.1		7.2		1.1
CZ	9:00	Trade balance (national)	CZK B 03/01/2017	18.8		22.6		19.3		17.9	
HU	9:00	Trade balance	EUR M 03/2017 *P			956		860		881	
CZ	10:00	FX reserves of the CNB	EUR B 04/01/2017							122.6	

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