

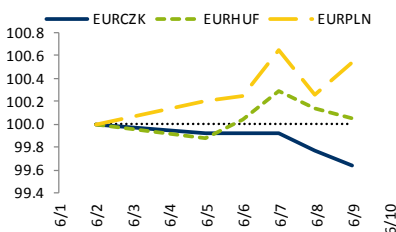


Central European Daily

Friday, 09 June 2017

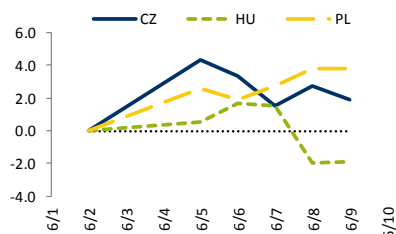
Regional Overview

Forex markets (index)



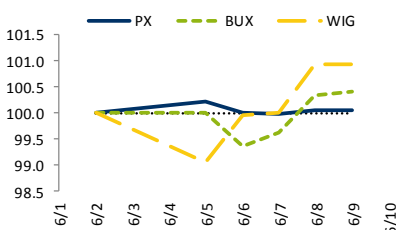
| | LAST | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 26.26 | 26.29 | -0.13 |
| EURHUF | 307.9 | 308.1 | -0.09 |
| EURPLN | 4.206 | 4.194 | 0.28 |

Gov. bonds 10 Y (bps change)



| | LAST | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 0.803 | 0.811 | -0.8 |
| HUGB 10Y | 3.00 | 3.00 | 0.0 |
| PLGB 10Y | 3.20 | 3.20 | 0.0 |

Equity indices (index)



| | LAST | PREVIOUS | CHANGE (%) |
|-----|--------|----------|------------|
| PX | 1006.2 | 1006.2 | 0.00 |
| BUX | 35295 | 35271 | 0.07 |
| WIG | 61313 | 61313 | 0.00 |

Macro, FX & Rates: Czech inflation surprises on upside

(CZ) Macro: The Czech inflation figures for May have surprised on the upside as the headline figure reached 2.4% y/y. As result the Czech National Bank could be more satisfied, because the figure is above its target and the May result is just 0.2 pts below central bank's projection. No wonder that the koruna reacted to the released figure positively as bets on more neutral monetary policy might begin to grow.

(HU) Macro, FX: Meanwhile, the EUR/HUF stuck in a very narrow range between 307 and 309 in the last two weeks and it tries to strengthen. It is bad news for the National Bank of Hungary so it is quite like that it will take action on its next MPC meeting in June.

Recall that the latest release of consumer price index according to the inflation moderated to 2.1% YoY gives also munition for NBH to ease monetary policy. Although we have to highlight that the current moderation CPI has been caused by base effect and mainly by decrease of fuel price. The core inflation is gradually increasing and it was also 2.1% YoY in May, just like the headline CPI. In case we focus on the last three months core CPI development it reflects above 2.5% inflation, so it suggest that the relatively stable and strong demand and the sharply increasing wages start to spill into the consumer prices. But as the headline inflation may remain below 3% in this year and may remain below 4% YoY in whole year in 2018 (the NBH has 3% +/-1%pt inflation target, which means that it is enough for them to keep CPI below 4% YoY) the May inflation figure allows for them to ease monetary policy further. Just like the statement delivered by the ECB, which highlighted the maintenance of current loose monetary policy till the end of the year.

So all the latest developments confirms our view that NBH may cut further the cap of 3-month deposit in June. We expect that the maximum limit might be moderated to HUF250bn till the end of September from the current level of HUF500bn. Also the FX swap tenders might be continued probably focusing more on the 3 month and 6 month tenors. It might limit the HUF strengthening, while the internal bank interest rates and the short-end of the yield curve may moderate by 10-15bp in the coming weeks.

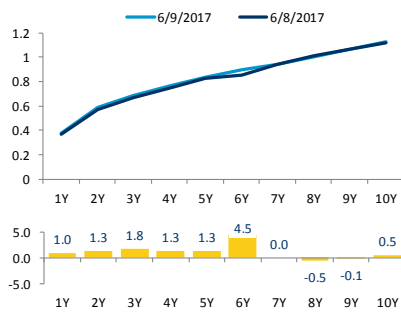
Equities: Poland wants to fix regulation on wind farms

(PL) RENEWABLES: Poland wants to fix regulations on wind farms in its amendment to the act on renewable energy sources according to the Energy Ministry.

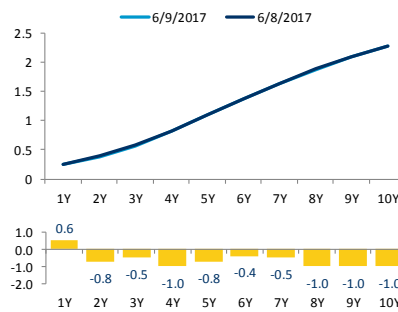
The real estate tax will be levied on buildings, not the entire installations. Wind farms will be allowed to carry out repowering. Housing construction in the vicinity of existing farms will be allowed, but the distance from new farms to houses will have to be least 10 times the height of the turbine.

Interest-rate Swap Curves

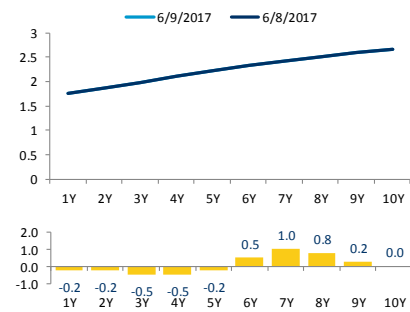
CZK *



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 | CPI | % | 05/01/2017 | 0.1 | 2.1 | 0.2 | 2.4 | -0.1 | 2.1 | 0 | 2 |
| CZ | 17:00 | Review rating - Moody's | A1 | 2. revision | | | | | | | | |

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