

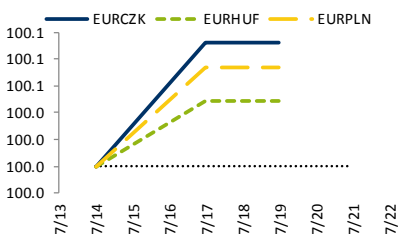


# Central European Daily

Wednesday, 19 July 2017

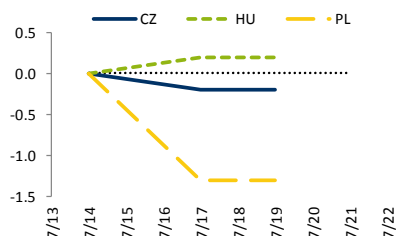
## Regional Overview

### Forex markets (index)



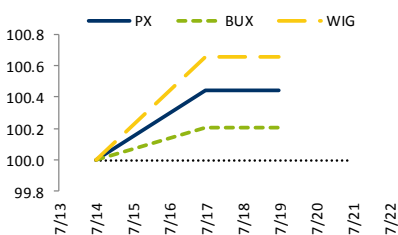
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.10	26.10	0.00
EURHUF	306.1	306.1	0.00
EURPLN	4.209	4.209	0.00

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



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.976	0.976	0.0
HUGB 10Y	3.06	3.06	0.0
PLGB 10Y	3.29	3.29	0.0

### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1004.9	1004.9	0.00
BUX	35990	35990	0.00
WIG	62536	62536	0.00

### Macro, FX, Rates: The NBH keeps its dovish stance

**(HU) Rates & FX:** As expected the National Bank of Hungary (NBH) left base rate unchanged at 0.9% in line with the expectations. The NBH statement confirmed that the loose monetary policy will be maintained for an extended period as the NBH sees that the consumer price index may achieve the inflation target of 3% YoY on a sustainable way only from beginning of 2019. They see no inflationary pressure coming from the elevated speed of wage increase, because the inflation expectations are still low, and the wage rise was counterbalanced by tax cuts this year. According to the Council the international environment continues to pose a downside risk to inflation. The statement was finished with the sentence that "if inflation remains persistently below the target, the Council will be ready to ease monetary conditions further using unconventional, targeted instruments".

*We think that the NBH statement was as dovish as last month and the likelihood of further easing is quite high especially taking in account the quite strong level of the forint. We think that the NBH may change its key instrument in this year – most likely some repo instrument may replace the 3-month depo instrument – so we expect that the cap on 3-month depo might be moderated further in September. It is also interesting that while in case of other central banks (like FED, ECB or even Polish central bank) there are rather argues for possible tightening in the coming quarters, the NBH is still talking about further possible easing of monetary policy, although the economy is growing above 3%, the unemployment rate is below 5% and there is lack of labor force on the market, the core inflation is gradually increasing (the latest figure was 2.4% Y/Y). So the macroeconomic figures don't confirm the further need of monetary easing in our view.*

The EUR/HUF didn't react on the dovish stance of the statement, it is traded around 306, which is an important resistance level, if EUR/HUF breaks it than the next levels are around 305 and 303.5. Although there is now some appreciation pressure on the HUF in the current calm international environment, we think that the NBH may remain dovish for an extended period so it may bring some HUF weakening in autumn back above 310 levels.

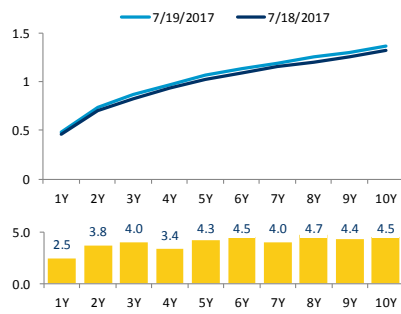
### Equities: Polish mobile operators see higher traffic

**(PL) TMT:** Mobile operators Orange Polska and Play have noted visible increases in calls, texts and data transmission by clients abroad since the introduction of the roam-like-at-home rule within the EU according to Polish press.

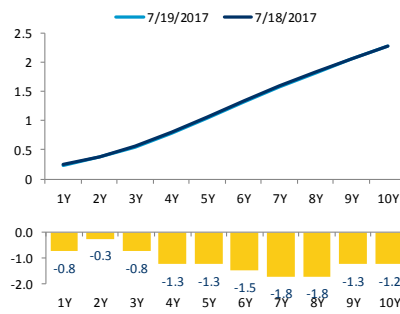
*Play sees particular increases in data traffic. Data usage has risen more than tenfold, the number of calls several times, sector representatives say off the record. The effects of the abolition of roaming fees will be visible in Q3 and Q4 results.*

# Interest-rate Swap Curves

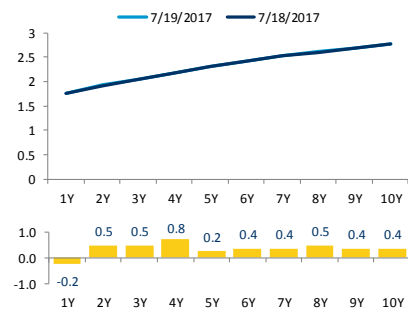
CZK \*



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
PL	14:00	Industrial output	%	06/01/2017					2.3	3.9	5.5	9.1
PL	14:00	PPI	%	06/01/2017					-0.2	2.1	-0.5	2.5
PL	14:00	Retail sales	%	06/2017					1.7	6.8	-0.2	8.4

## Contacts

Brussels Research (KBC)			Global Sales Force		
Piet Lammens	+32 2 417 59 41		<b>Brussels</b>		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Mathias van der Jeugt	+32 2 417 51 94		Institutional Desk		+32 2 417 46 25
<b>Dublin Research</b>			France		
Austin Hughes	+353 1 664 6889		London		+44 207 256 4848
Shawn Britton	+353 1 664 6892		Singapore		+65 533 34 10
<b>Prague Research (CSOB)</b>			Prague		
Jan Cermak	+420 2 6135 3578		Prague (Equities)		+420 2 6135 3535
Petr Baca	+420 2 6135 3570				+420 2 2142 4216
Tomas Sykora	+420 2 2142 4128				
<b>Bratislava Research (CSOB)</b>			Bratislava		
Marek Gabris	+421 2 5966 8809				+421 2 5966 8820
<b>Budapest Research</b>			Budapest		
David Nemeth	+36 1 328 9989				+36 1 328 99 85

ALL OUR REPORTS ARE AVAILABLE VIA OUR KBC RESEARCH APP (iPhone, iPad, Android)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

