

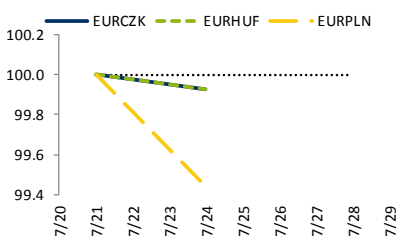


Central European Daily

Monday, 24 July 2017

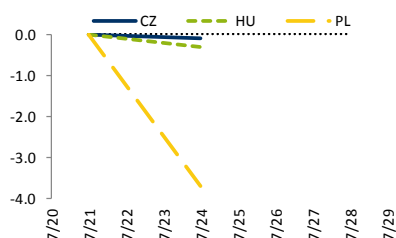
Regional Overview

Forex markets (index)



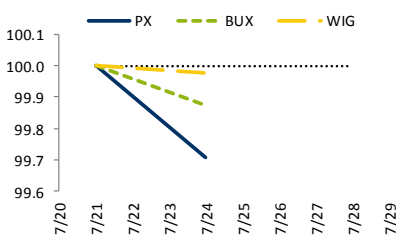
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.03	26.05	-0.07
EURHUF	305.2	305.4	-0.07
EURPLN	4.240	4.264	-0.56

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.980	0.981	-0.1
HUGB 10Y	3.07	3.07	-0.1
PLGB 10Y	3.25	3.28	-1.1

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1001.3	1004.2	-0.29
BUX	35589	35634	-0.13
WIG	61966	61980	-0.02

Macro, FX, Rates: Politics makes the zloty volatile again

(PL) Politics, FX: The Polish zloty has come under downward pressure, which comes from the domestic politics. Recall that both chambers of the Polish parliament have already approved the controversial law proposed by governing party Law and Justice, which should bring a significant (personal) reform of the Polish Justice. Note that as a result of the reform a majority of Supreme Court's judges could be replaced by a decision of the simple majority in the Polish parliament. While the EU sent strong warnings to the Polish government that it could activate the Article 7 (suspension of EU voting rights), thousands of Poles have protested against the approved in the streets of Polish cities.

We think that triggering of the Article 7 is unlikely, because Hungary and may be some other countries will not back such a proposal. In a short-run the key is the recent decision of Polish president Duda (formerly also Law and Justice), who has just announced that he had decided to veto the law. No wonder that the zloty has immediately firmed following Duda's decision. It is worth noting that presidential veto can be overruled by a three-fifths majority vote in the presence of at least half of the statutory number of members of the Sejm (230). Recall that the ruling Law and Just has only 234 of deputies in the Sejm, which has 460 members (hence, quite clearly short of the three-fifths).

Equities: PKN and Unipetrol post strong results

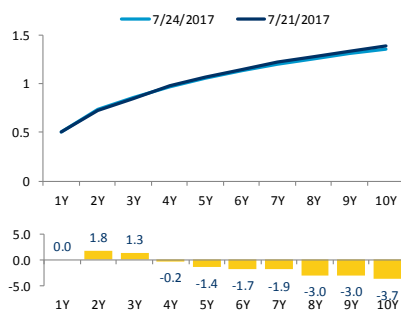
(PL) PKN: Reported figures were completely in line on top line and operating level, slightly above on EBITDA but lower on bottom line. Figures were supported by strong macro environment backed by ongoing downstream margin strength and fully operational Unipetrol refineries and another compensation at CZK 3.1bn that Unipetrol received from insurance companies. The performance was driven by annual increase in downstream margins (+11.5%), strong volumes of refinery products (+9.7% y/y) and strong improvement in petrochemical volumes as a result of Unipetrol's ethylene unit restoration. The Company has confirmed its CAPEX guidance at PLN 5.5bn for 2017 while expecting downstream margin drop in 2H17. *As PKN is trading strongly above its 5Y average, we confirm our SELL recommendation with target price at PLN 66.3.*

(CZ) Unipetrol: Company reported outstanding figures today morning driven by strong macro environment, ongoing downstream margin strength, fully operational refineries and another compensation at CZK 3.1bn from insurance companies. Strong annual improvement was visible across the business lines with downstream EBITDA at CZK 6.1bn and retail EBITDA at CZK 415mn leading to historical high profitability of 20.9%.

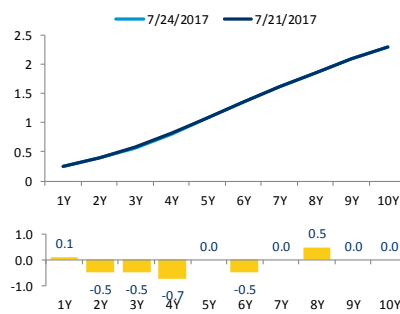
We keep our positive view while put our target price under revision (current CZK 304).

Interest-rate Swap Curves

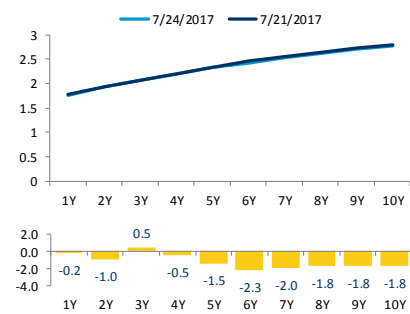
CZK *



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

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