



Central European Daily

Tuesday, 04 October 2016

Headlines

Currencies		% chng
EUR/CZK	27.00	0.0
EUR/HUF	307.4	-0.2
EUR/PLN	4.29	0.0
EUR/USD	1.12	-0.3
EUR/CHF	1.09	-0.1

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.01	0.15	-0.23	-0.12
EUR/PLN		0.27	-0.22	-0.01
EUR/HUF			-0.30	-0.12
EUR/USD				0.23

correlations of 30 min changes
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.28	0
HUF	0.74	0
PLN	1.70	0
EUR	-0.29	1

GB	%	bps chng
Czech Rep. 10Y	0.25	0
Hungary 10Y	2.94	0
Poland 10Y	2.89	-3
Slovakia 10Y	0.35	2

CDS 5Y	%	bps chng
Czech Rep.	41	0
Hungary	121	0
Poland	76	0
Slovakia	42	0

Source: Reuters

State budgets in CE are in good shape

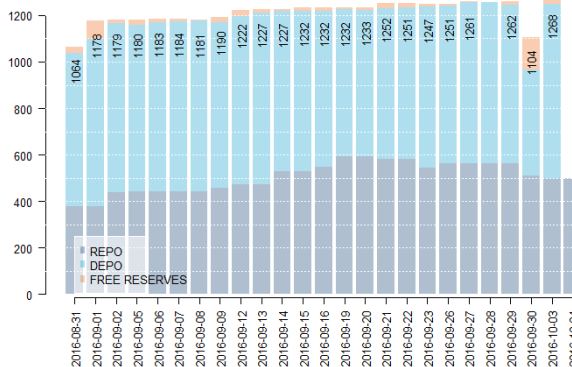
Better than expected results of the regional PMI indices had no significant immediate impact on Central European currencies yesterday. Later in the day, however, having absorbed inconclusive outcome of a referendum on EU migrant quota, the forint strengthened to its last week's levels. The zloty, in contrast, kept stable and also the koruna was stuck at the central bank's (CNB) intervention threshold.

According to the first estimate, Hungary's general government deficit reached HUF 122.8 billion in the first half of 2016, i.e. about 0.7% of GDP. The ratio is 1.1 percentage points below the corresponding value for 2015H1. Improving fiscal situation should help the Hungarian central bank in its effort to lower government bond yields.

In the Czech Republic, cumulative state budget surplus reached some CZK 80 billion at the end of September. Also in this case the result can boost government bond prices, especially with regard to the fact that demand for the bonds has been strong due to central bank's (CNB) temporary FX interventions regime.

Regarding the latter, CNB's money printing activity seems to have been quite strong in September (see the chart below). According to CNB data, the volume of liquidity withdrawn from the banking sector increased by about CZK 80 billion during the month.

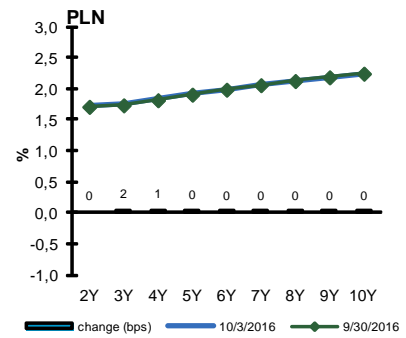
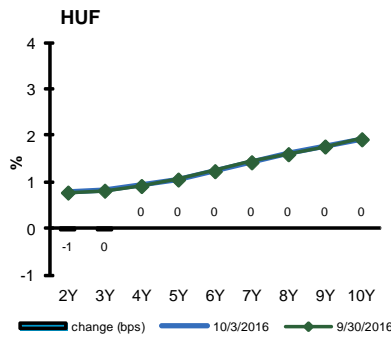
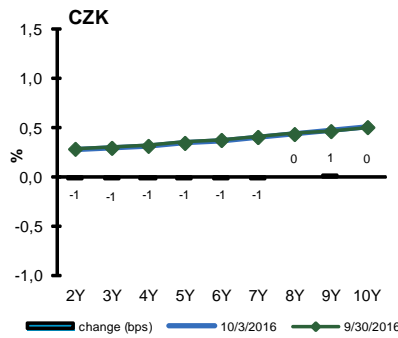
CNB OMO: REPO & DEPO & FREE RESERVES (CZK bn)



Source: CNB, CSOB

Printing of new money seems to have been quite strong in September...

Interest-rate Swap Curves



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

Contacts

Brussels Research (KBC)			Global Sales Force		
Piet Lammens	+32 2 417 59 41		Brussels		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Joke Mertens	+32 2 417 30 59		Institutional Desk		+32 2 417 46 25
Mathias van der Jeugt	+32 2 417 51 94		France		+32 2 417 32 65
Dublin Research			London		+44 207 256 4848
Austin Hughes	+353 1 664 6889		Singapore		+65 533 34 10
Shawn Britton	+353 1 664 6892				
Prague Research (CSOB)			Prague		
Jan Cermak	+420 2 6135 3578				+420 2 6135 3535
Jan Bures	+420 2 6135 3574				
Petr Baca	+420 2 6135 3570				
Bratislava Research (CSOB)			Bratislava		
Marek Gabris	+421 2 5966 8809				+421 2 5966 8820
Budapest Research			Budapest		
David Nemeth	+36 1 328 9989				+36 1 328 99 85

ALL OUR REPORTS ARE AVAILABLE ON WWW.KBC.BE/DEALINGROOM

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.

