



# Central European Daily

Thursday, 06 October 2016

## Headlines

Currencies		% chng
EUR/CZK	27.01	0.0
EUR/HUF	304.5	-0.8
EUR/PLN	4.30	-0.1
EUR/USD	1.12	0.0
EUR/CHF	1.09	-0.4

### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.11	0.16	0.04	-0.03
EUR/PLN		0.31	-0.24	-0.11
EUR/HUF			-0.15	0.00
EUR/USD				0.32

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.29	1
HUF	0.74	1
PLN	1.74	4
EUR	-0.30	0

GB	%	bps chng
Czech Rep. 10Y	0.34	7
Hungary 10Y	2.98	8
Poland 10Y	3.00	10
Slovakia 10Y	0.42	6

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

Source: Reuters

### The Hungarian forint at 15-month highs

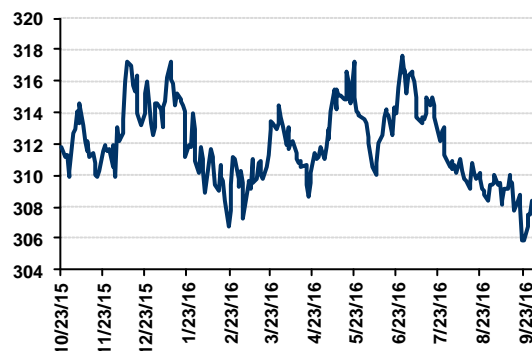
#### The NBP leaves its policy unchanged

While there was an interest-rate-setting of the National Bank of Poland (policy on hold as expected), the obvious regional star was the Hungarian forint. The HUF has been under appreciation pressure in the last three months, since the Brexit vote. The first important EUR/HUF resistance level was at 309, which was broken in middle of August and now it test the next important technical level at 305. With this strengthening the HUF is the best performing currency in the region. We see the following Hungarian fundamental specific news behind the appreciation: 1) the upgrade of debt to investment grade level 2) the huge current account surplus and 3) the NBH's latest decision (limitation of the availability of 3-month deposit). The banks placed substantially higher amount of money into 3-month deposit in September (it was the last time, when this instrument was unlimited available) causing the temporary lack of HUF liquidity on the market. It pushed up the short yields and created demand for HUF. While the first two factor will remain with us, the later effect may disappear within three weeks gradually as the deposit placed in July into the NBH will mature weekly.

The NBH introduces occasionally 1-week depo facility (at base rate level and with a maximum limit) and 3-month FX swap instrument (it will be a tender) to be able to fine tune the HUF liquidity interbank market. The goal is not the change the base rate for an extended period (at least till middle of 2018) and these facilities may be use for monetary easing and tightening.

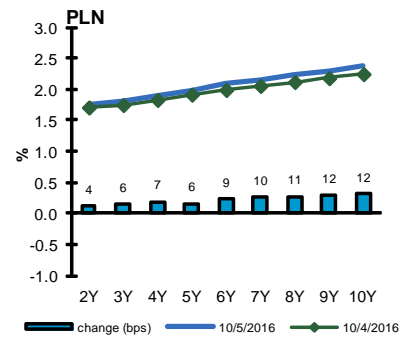
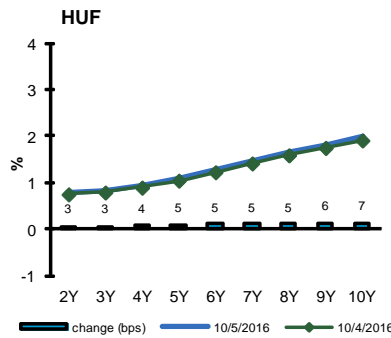
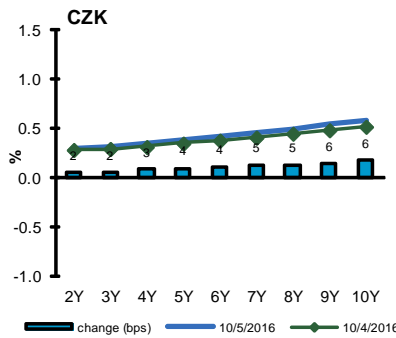
In a case the EUR/HUF breaks the 305 level (where probably the NBH intervenes), it might test the 300 as there are many barrier option level between 300 and 305, and also just below 300. But we expect that there will be HUF over liquidity from November, so we expect that this strengthening is rather temporary.

### EUR/HUF



The EUR/HUF is testing the 305 support level, if it breaks below it might test the 300 psychological barrier soon.

# 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
CZ	9:00	Retail sales	% 08/01/2016		8.5		11.1		8.5		-0.4

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