



Central European Daily

Monday, 10 October 2016

Headlines

Czech inflation slightly below forecast in September but could exceed 1 % by the year-end

While the forint slightly weakened on Friday, the zloty was only little changed and the koruna remained close to the central bank's intervention floor.

Today, the latter watches inflation figures for September. At 0.5% Y/Y, headline inflation came out a touch lower than we had expected. Despite that, we believe that inflation may exceed 1% by the end of this year which would mean its return to 1 p.p. tolerance band around the central bank's (CNB) target. We therefore think that the CNB could be more or less happy not only with inflation but also with overall development of the economy. And although we expect inflation may approach the target a bit later than the CNB predicts, it should not have influence on previously announced plan of ending interventions around the half of the next year. Rather than domestic inflation developments (stemming mainly from low unemployment, see below), we perceive the possibility of QE extension in the euro zone as the main risk factor that could make the CNB postpone the exit.

Apart from inflation, Czech unemployment rate figures for September were also released today. In line with expectations, it fell to 5.2% which is by nearly one percentage point lower than a year ago. Relatively low unemployment rate mean that pressure on wages growth should persist in months to come. Although we expect seasonal increase in unemployment rate towards the end of the year, we believe that it could be below 5 % in the most of the next year.

Currencies		% chng
EUR/CZK	27.01	0.0
EUR/HUF	304.3	0.0
EUR/PLN	4.28	0.1
EUR/USD	1.12	0.4
EUR/CHF	1.09	0.1

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.06	-0.03	0.14	-0.06
EUR/PLN		0.29	-0.04	0.18
EUR/HUF			0.02	0.16
EUR/USD				0.22

correlations of 30 min changes
over past 5 sessions

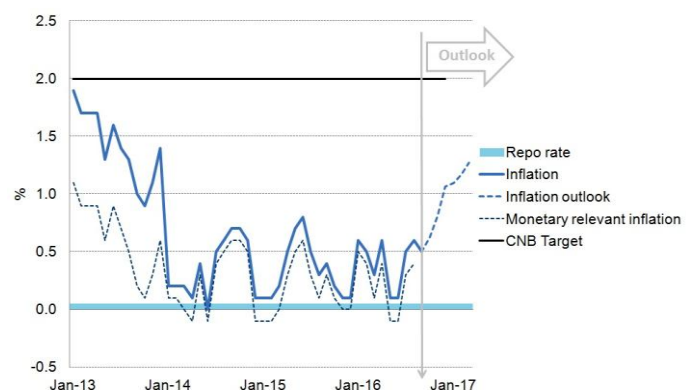
FRA 3x6	%	bps chng
CZK	0.28	-1
HUF	0.75	1
PLN	1.74	1
EUR	-0.30	0

GB	%	bps chng
Czech Rep. 10Y	0.31	0
Hungary 10Y	3.01	7
Poland 10Y	3.05	2
Slovakia 10Y	0.46	6

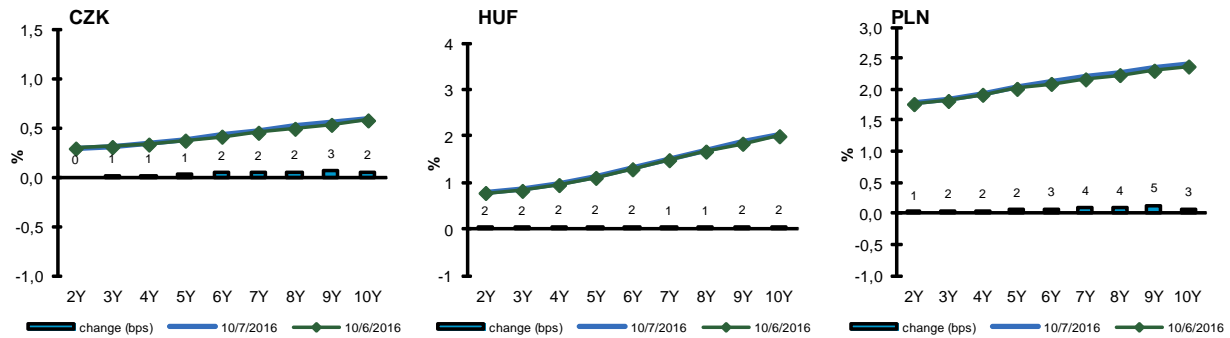
CDS 5Y	%	bps chng
Czech Rep.	41	0
Hungary	121	0
Poland	76	0
Slovakia	42	0

Source: Reuters

CZ: Inflation and interest rates



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	Unemployment rate 15-64	% 09/01/2016	5.2		5.2		5.2		5.3	
CZ	9:00	CPI	% 09/01/2016	-0.1	0.6	-0.2	0.5	-0.2	0.6	-0.2	0.6
HU	11:00	Budget balance	HUF B 09/2016								-274

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