



Central European Daily

Wednesday, 12 October 2016

Headlines

Currencies		% chng
EUR/CZK	27.00	0.0
EUR/HUF	304.7	0.3
EUR/PLN	4.28	0.3
EUR/USD	1.11	-0.8
EUR/CHF	1.09	-0.1

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.11	0.04	0.04	-0.12
EUR/PLN		0.38	-0.04	0.12
EUR/HUF			-0.14	0.08
EUR/USD				0.23

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.28	0
HUF	0.77	1
PLN	1.75	0
EUR	-0.30	-1

GB	%	bps chng
Czech Rep. 10Y	0.36	2
Hungary 10Y	3.06	5
Poland 10Y	3.08	0
Slovakia 10Y	0.48	-1

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

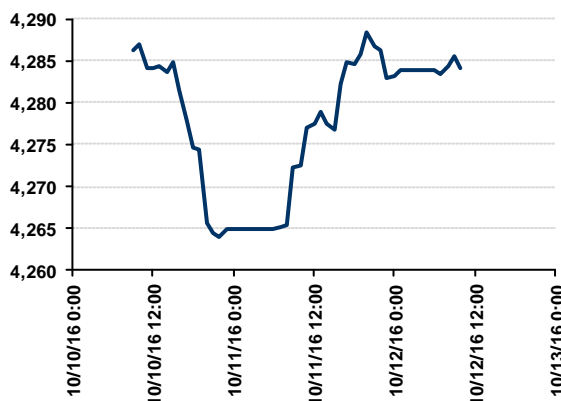
Source: Reuters

Regional currencies shrug off increased volatility in emerging markets

The Polish zloty and Hungarian forint gave up a part of their recent gains yesterday, but volatility in regional markets has remained extremely low. Interestingly, both the forint and especially the zloty were able to decouple from other emerging markets, where the volatility is on the rise. This has been true not only for the Mexican peso (hit by the US election campaign), but - more importantly for CE markets - also for the Turkish lira.

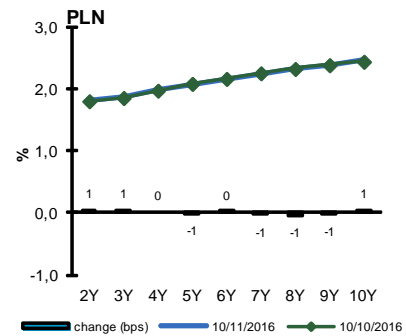
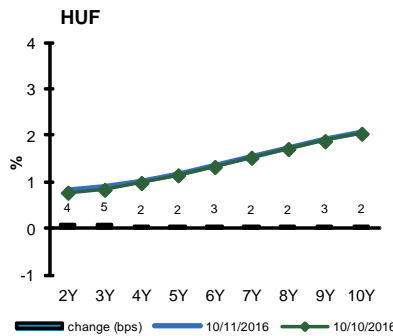
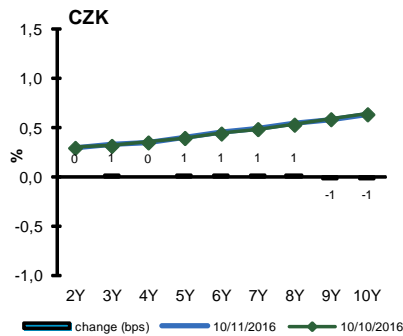
The main reason why regional currencies are able to shrug off volatility in other emerging markets can be found not only in the fact that respective macro fundamentals of the former are looking good, but also because they have become close economic satellites of the euro-zone. Hence, for the zloty, the forint or the Czech koruna, it is much more important to follow news coming from the German economy or about the ECB than whether there is or is not a sell-off in emerging markets. Given that ECB's tapering of its QE programme will not become a hot topic for markets before 2017 and German business sentiment indicators remain strong (yesterday's release of the ZEW index is another piece of evidence for that), CE currencies probably need not worry about their strong position. By the same token, hypothetical deterioration of German/euro-zone figures can be more painful for regional currencies than increased uncertainty and related volatility in emerging markets caused by approaching US elections.

EUR/PLN



The EUR/PLN returns back above the 4.28 level.

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
PL	14:00	Core CPI	%	09/01/2016				0	-0.3	-0.1	-0.4

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)					
Jan Cermak	+420 2 6135 3578		Prague		+420 2 6135 3535
Jan Bures	+420 2 6135 3574				
Petr Baca	+420 2 6135 3570				
Bratislava Research (CSOB)					
Marek Gabris	+421 2 5966 8809		Bratislava		+421 2 5966 8820
Budapest Research					
David Nemeth	+36 1 328 9989		Budapest		+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 data of the report and are subject to change without notice.

