



# Central European Daily

Monday, 31 October 2016

## Headlines

Currencies		% chng
EUR/CZK	27.01	0.0
EUR/HUF	309.5	0.1
EUR/PLN	4.34	0.0
EUR/USD	1.10	0.8
EUR/CHF	1.09	0.3

### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.08	-0.13	0.24	0.14
EUR/PLN		0.33	0.05	-0.03
EUR/HUF			0.10	-0.13
EUR/USD				0.24

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.28	0
HUF	0.66	-2
PLN	1.75	-2
EUR	-0.29	1

GB	%	bps chng
Czech Rep. 10Y	0.50	2
Hungary 10Y	3.05	0
Poland 10Y	3.13	-2
Slovakia 10Y	0.60	-2

CDS 5Y	%	bps chng
Czech Rep.	41	0
Hungary	119	0
Poland	76	0
Slovakia	42	0

Source: Reuters

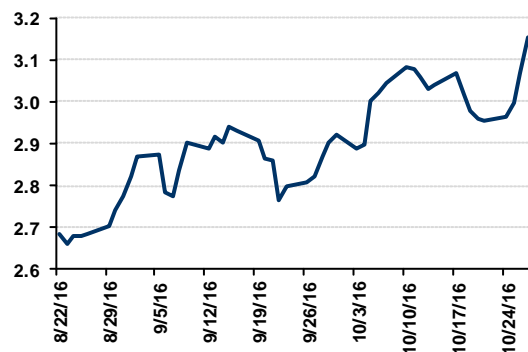
### Global bond sell-off visible in regional markets too

### Regional markets eye Polish inflation figures, PMIs and central bank meetings (NBP, CNB)

Sell-off in global core markets was felt in regional bond markets too at the end of last week. All regional bond markets suffered visible losses, while all respective yield curves significantly steepened. The situation has continued to be the most extreme in the case of the Czech bond markets as huge liquidity surplus (driven by CNB's forex interventions) keep yields deeply in negative territory, while the long end of the curve was pushed by German Bund yields and longer euro swap rates higher.

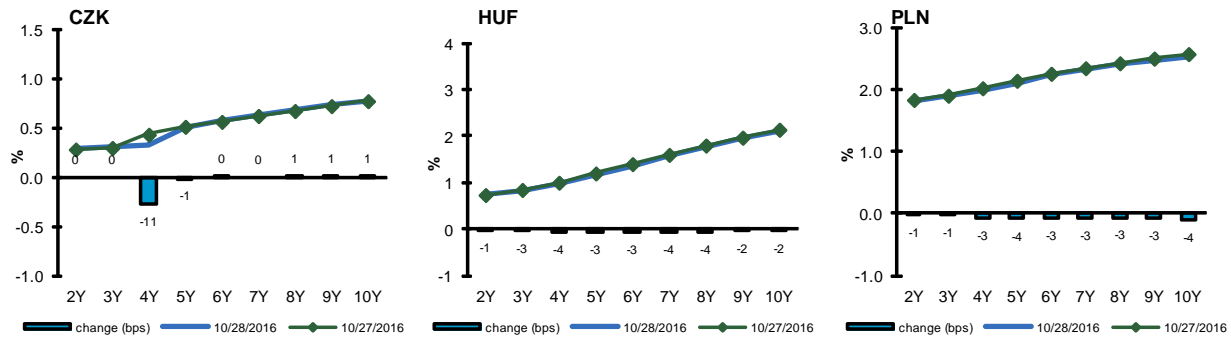
This week the calendar heats up not only in core markets, but in regional markets too this week. Today, we will get the Polish inflation figures for October, tomorrow there will be interesting PMIs indices and there will be also NBP's and CNB's meeting on Wednesday and Thursday respectively. As concerns the Polish inflation, we expect that the headline index grew 0.4% month-on-month, which should translate in the minus 0.2 year-on-year figure. Although, the annual headline inflation was very likely still negative, it should be up and the market could be already feel that it will return to positive territory soon. We believe it will happen at the start of the next year.

PL GB 10Y



Not only core bond markets have suffered, but the Polish govies too. Gradual rise in the Polish headline inflation will not help either.

# 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	10:00	Money supply M2	% 09/01/2016								9.4
PL	14:00	CPI	% 10/2016 *P	0.4	-0.2			0.4	-0.3	0	-0.5

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