

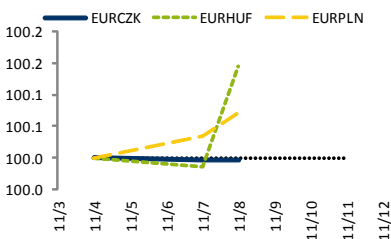


Central European Daily

Tuesday, 08 November 2016

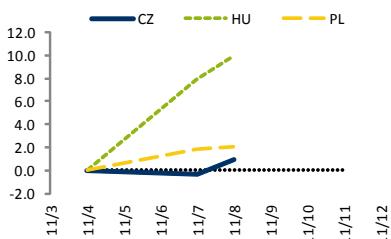
Regional Overview

Forex markets (index)



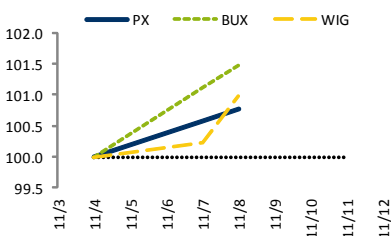
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	0.00
EURHUF	306.1	305.6	0.16
EURPLN	4.331	4.329	0.04

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.461	0.449	1.2
HUGB 10Y	3.11	3.09	0.6
PLGB 10Y	3.06	3.06	0.1

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	900.7	899.0	0.19
BUX	30460	30353	0.35
WIG	48075	47716	0.75

Macro, FX & Rates: HU inflation accelerated in October

(HU) CPI inflation accelerated from 0.6% Y/Y in September to **1% Y/Y in October** in line with our expectation. Core inflation remained at 1.4% Y/Y. The **main driver** of headline CPI was the fuel price increase due to the **rise of the excise duty**. Imported inflation is still low. On the other hand the market services prices increase gradually which reflects the stable growth of domestic consumption. We see year-end CPI at 1.5% Y/Y, while the average inflation may be 0.4% Y/Y in 2016 and 2% Y/Y in 2017.

(HU) Industrial production was surprisingly **weak in September**, it fell by 3.7% Y/Y, which means that the production was smaller in 3Q16 than in 2Q16, so it might not boost the GDP in 3Q16. We don't expect substantial acceleration for 4Q16 and as the YTD industrial production growth was only 1.5% Y/Y, it looks like that the full year dynamic might remain below 2% Y/Y in 2016.

(CZ) Industrial production for September came out **below expectation**. Despite that, the **figures still remain solid**, again **mainly thanks to car industry**. Although the figure confirms significant deceleration of economic growth in the third quarter (to about 2% Y/Y), **we still keep our forecast for 2016 economic growth at 2.5%**.

Equities: CEZ earnings slightly below consensus

(CZ) CEZ has **just released** its **3Q16 results**. Earnings came **slightly below consensus** estimates with EBITDA of CZK 10.7bn vs. CZK 11.1bn expected and adj. NI of CZK 0.9bn vs. 1.8bn expected. The company further drag down its FY16 EBITDA guidance of CZK 2bn (from 58 to 56) due to longer outages at Temelín NPP. Nevertheless, CEZ confirmed its adjusted net income guidance (dividend base) at CZK 18bn thanks to lower fixed operating cost. **/SLIGHT NEGATIVE;** *The numbers were slightly weaker, nevertheless adjusted net income was confirmed, despite lower EBITDA guidance as we have expected. CEZ shares failed to follow increasing coal/power prices during recent days and so results fears should be partly priced-in;*

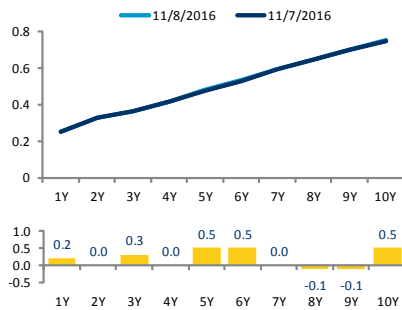
Weekly Preview: NBP will keep its policy course

(CZ) We believe that the moderate rise in the **consumer price index** was primarily attributable to increased prices of fuel, seasonal goods and alcohol. Towards the end of the year, it is very likely to exceed the 1% mark. Next year, inflation may approach the central bank's target, thus enabling the CNB to discontinue its current exchange rate system.

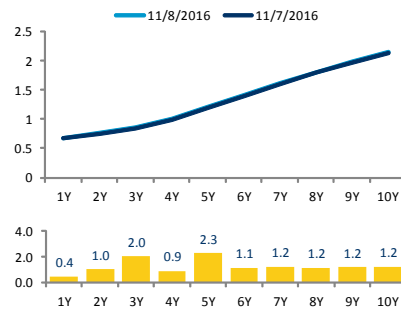
(PL) The National Bank of Poland will not want to change its fairly conservative policy this time either. Inflation is slowly returning to zero at last, and is likely to reach positive territory early next year. The NBP can also be satisfied with the very swift (nominal as well as real) wage growth, which certainly does not favour any further monetary easing.

Interest-rate Swap Curves

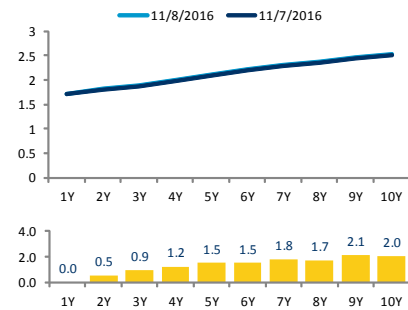
CZK *



HUF *



PLN *



* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points

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	0:00	Earnings CEZ	CZK 3Q/2016								
CZ	9:00	Unemployment rate 15-64	% 10/01/2016	5		5		5		5.2	
CZ	9:00	Trade balance (national)	CZK B 09/2016	19.2		21		20.7		13.8	
CZ	9:00	Industrial output	% 09/01/2016		5.5		2.7		4		13.1
CZ	9:00	Construction output	% 09/01/2016		-7		-7.4				-5.9
HU	9:00	CPI	% 10/01/2016		1	0.6	1	0.5	0.8	0.2	0.6
HU	9:00	Industrial output	% 09/01/2016		4	-3	-3.7	1.3	3.2	1.6	3.5

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