

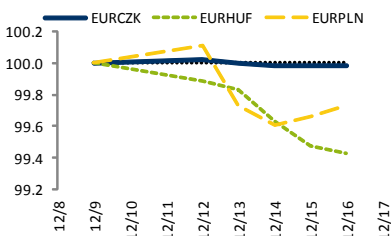


Central European Daily

Friday, 16 December 2016

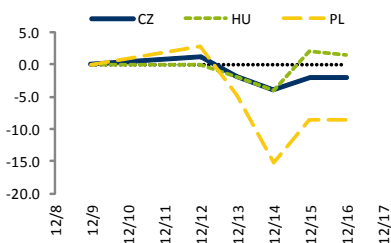
Regional Overview

Forex markets (index)



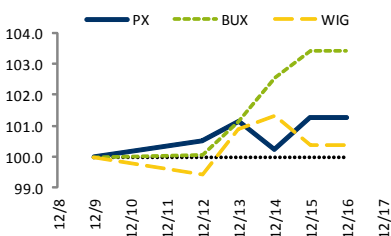
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	0.00
EURHUF	312.9	313.1	-0.04
EURPLN	4.433	4.430	0.07

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.491	0.491	0.0
HUGB 10Y	3.35	3.36	-0.2
PLGB 10Y	3.52	3.52	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	912.0	912.0	0.00
BUX	31636	31636	0.00
WIG	50881	50881	0.00

Next KBC Sunrise will be published on Tuesday the 3rd of January 2017.

Macro, FX & Rates: headline

(CZ) PPI for November came out lower than anticipated. Prices in industry fell by 1.3% year-on-year and grew by 0.1% in month-on-month terms. / As for our outlook, we expect PPI growth will return above zero already in January. This is good news from the perspective of central bank as it should support further acceleration of inflation rate. Recent significant appreciation of US dollar should even strengthen this effect. To sum up, **we expect PPI growth of around 2% in 2017.**

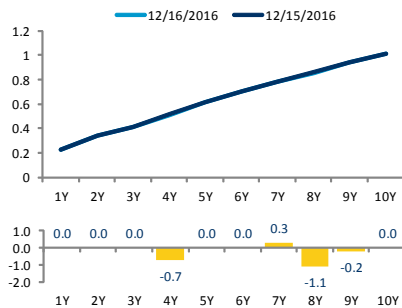
Equities: PKN wants to focus on downstream and retail

(PL) PKN: Company published its new long term strategy for 2017 - 2021 yesterday evening. /**NEGATIVE.** In general, **PKN wants to focus on downstream and retail while cautiously continue its upstream operations** hence the new strategy came with no big surprise to us. With respect to numbers, PKN targets: i) annual increase in EBIDA LIFO by PLN 0.5bln in 2017 - 2018 driven mainly by downstream operations ii) increase in CAPEX from PLN 5.1bln expected in 2016 to the annual average at PLN 5.4bln within 2017 - 2018 driven mainly by upstream operations and iii) Company confirmed negative margin cycle when forecasting gradual decline in both average downstream and petchem margins by 7.4% and 12.5% respectively within 2017 - 2018 period to USD 11.3/bbl for 2017 - 2018 (down from USD 12.2/bbl within 2014 - 2016) for downstream margin and EUR 793/t (down from EUR 906/t) for petchem margin.

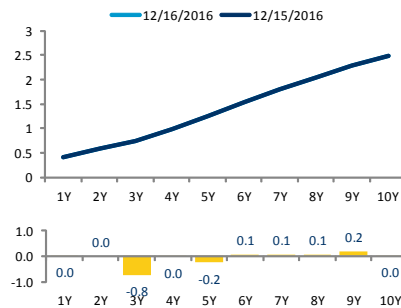
(PL) ALR: Alior struck the terms of group layoffs with its trade unions and will create a restructuring reserve for the process. /**TO WATCH** On November 25, Alior announced it was launching an adjustment of its organizational structure, which may entail up to 2600 job cuts to end-2017 in the framework of group layoffs. Previously the bank said that expects the cost of the integration with to reach PLN 500mn in 2016 and 2017 and expects to reach PLN 460mn in annual cost and revenue synergies from the merger by 2019.

Interest-rate Swap Curves

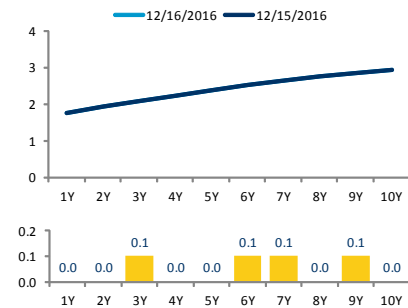
CZK *



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	9:00	PPI	%	11/01/2016		0.1	-1.3	0.2	-1.1	0.5	-1.7

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
Mathias van der Jeugt	+32 2 417 51 94		Institutional Desk		+32 2 417 46 25
Dublin Research			France		+32 2 417 32 65
Austin Hughes	+353 1 664 6889		London		+44 207 256 4848
Shawn Britton	+353 1 664 6892		Singapore		+65 533 34 10
Prague Research (CSOB)					
Jan Cermak	+420 2 6135 3578		Prague		
Jan Bures	+420 2 6135 3574				
Petr Baca	+420 2 6135 3570				
Bratislava Research (CSOB)					
Marek Gabris	+421 2 5966 8809		Bratislava		
Budapest Research					
David Nemeth	+36 1 328 9989		Budapest		

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