

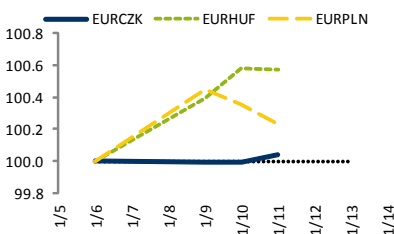


Central European Daily

Wednesday, 11 January 2017

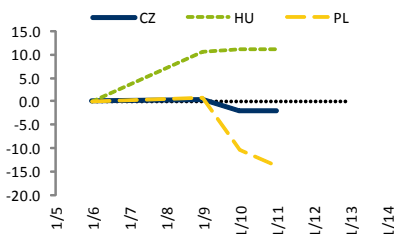
Regional Overview

Forex markets (index)



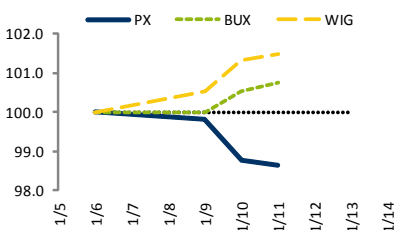
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.03	27.02	0.05
EURHUF	309.1	309.1	-0.01
EURPLN	4.368	4.373	-0.12

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.443	0.444	-0.1
HUGB 10Y	3.47	3.47	0.0
PLGB 10Y	3.52	3.56	-0.9

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	924.7	926.1	-0.15
BUX	33100	33032	0.21
WIG	53498	53410	0.16

Macro, FX & Rates: Hedging of Czech exporters still low

(CZ, FX) While bets that the Czech central bank would scrap its interventions against the CZK have been increasing and EUR/CZK forwards have been falling the fresh statistics about hedging among the Czech exporters was still at record lows at the end of 2016. **Although 1-year hedging (of Czech exporters) has slightly increased to 27.6% according to the CNB's survey, after seasonal adjustment it recorded another decline to fresh record lows.** Hence some of the exporters might not be "well prepared" for the end of the interventions during this year. This increases the chances of subsequent gains of the koruna. On the other hand, we have also seen that mainly foreign players built-up the speculative long positions in the CZK. Although we do not have hard data to prove it, we believe that such an inflow has accelerated at the beginning of 2017. The dramatic increase of free liquidity (in CNB's repo and depo) points to the total volume of CNB's intervention at around 6 billion euros in just 5 days at the beginning of 2017. We believe it mostly reflects growing appetite of foreign players for the koruna. Should such a fast builds up in the CZK long positions go on, it would increase the chances of negative correction of the koruna after the interventions end. Due to higher inflation outlook, we believe the CNB is going to end interventions in Q2 2017. In our base scenario we assume high volatility afterwards (potentially in both directions) and subsequent gains of the CZK in the mid-term (6 months horizon).

Equities: MTEL to buy houses in Montenegro

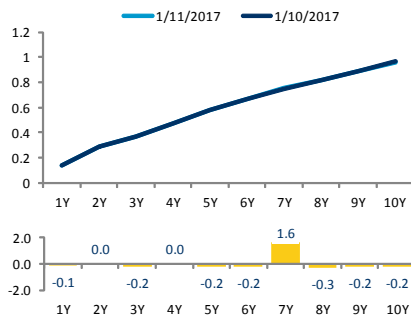
(HU, MTEL) MTEL was confirmed to buy by couple of houses following its announcement to divest its Montenegro division. Company announced that signed an agreement with Hrvatski Telekom to sell its whole 76.53% stake in Crnogorski Telekom for a total consideration of EUR 123.5 million (approximately HUF 38.1 billion at the January 9, 2017 EUR/HUF exchange rate of 308.7) for implied multiple at 5.1x EV/EBITDA 16E. We consider the deal as neutral. As a result of the transaction, MTEL has cut its FY17 guidance by 4% roughly (EBITDA revised down from HUF 189-193bn to HUF 181-185bn, similarly to Revenues – down from HUF 585-595bn to HUF 560-570bn). Transaction will partly help to decrease MTEL's leverage, but not significantly (net debt/total capital would decline from 41.6% to some 37%, ie fully in line with the FY17 30-40% target). We confirm our target price at HUF 510/shr.

Weekly Preview: NBP's policy on despite higher inflation

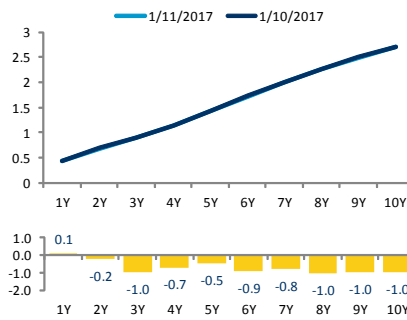
(PL, Rats & Macro) December's increased inflation will hardly influence the policy of the National Bank of Poland, as it still lags way behind the target. **Polish inflation is likely to approach the target slowly, and thus the central bank is not and will not be under pressure to act.** In addition, the NBP may be calmer now, because the exchange rate of the zloty has stabilised – more specifically, the Polish currency has eliminated the losses of late last year – a probable reason for the curbing of inflationary pressures.

Interest-rate Swap Curves

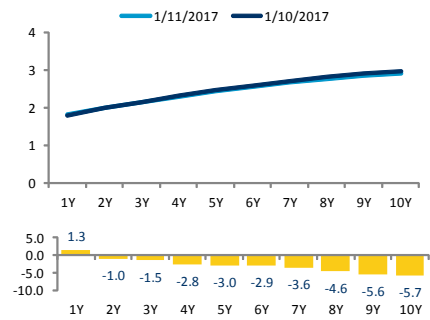
CZK *



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	Retail sales	% 11/01/2016		4	8.6		4.9		0.5	
PL	14:00	NBP meeting	% 01/01/2017					1.5		1.5	

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)			Prague		
Jan Cermak	+420 2 6135 3578				+420 2 6135 3535
Jan Bures	+420 2 6135 3574				
Petr Baca	+420 2 6135 3570				
Bratislava Research (CSOB)			Bratislava		
Marek Gabris	+421 2 5966 8809				+421 2 5966 8820
Budapest Research			Budapest		
David Nemeth	+36 1 328 9989				+36 1 328 99 85

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