

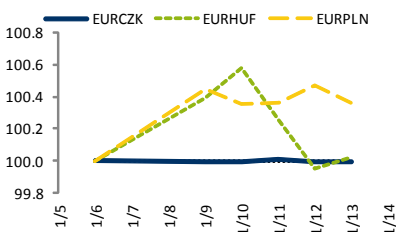


Central European Daily

Friday, 13 January 2017

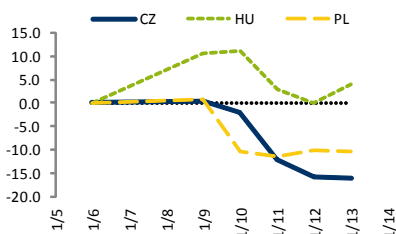
Regional Overview

Forex markets (index)



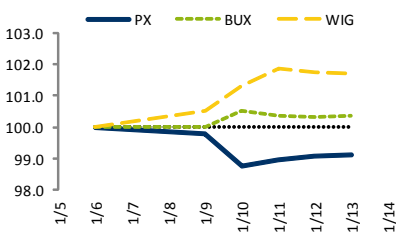
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	0.00
EURHUF	307.4	307.2	0.07
EURPLN	4.373	4.378	-0.11

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.304	0.306	-0.2
HUGB 10Y	3.40	3.36	1.2
PLGB 10Y	3.56	3.56	-0.1

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	929.3	928.9	0.05
BUX	32977	32966	0.03
WIG	53615	53651	-0.07

Macro, FX & Rates: No further easing needed in Hungary

(HU) Macro The Hungarian consumer price index jumped from 1.1% Y/Y in November to 1.8% Y/Y in December in line with expectation. The main reason is the base effect and the slightly increasing energy and oil prices. But also the domestic consumption started slowly to boost the inflation, mainly the durable goods and market services prices. It was reflected also in the increase of core inflation from 1.5% Y/Y in November to 1.7% Y/Y in December.

There is interesting price movement as the price of the egg went up more than 5% M/M in December although there was a VAT cut from 27% to 5% in January. So it is a huge question mark that what percentage point of the VAT cut will be pass through into the consumer price from January. It suggests that the demand is strong so the VAT cut may hold back the inflation less than originally expected. So we expect 2.4% Y/Y CPI for 2017, but we see more risks on the upside than on the downside at the moment.

To sum up, December's inflation means that the NBH may change the stance of their statements as in order to achieve the inflation target of 3% Y/Y, while there is still no need for further monetary loosening.

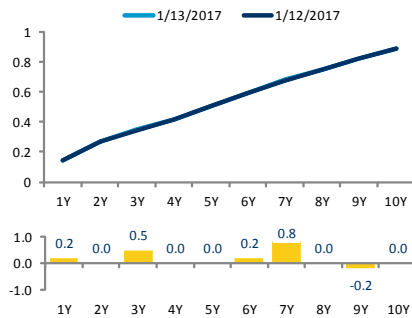
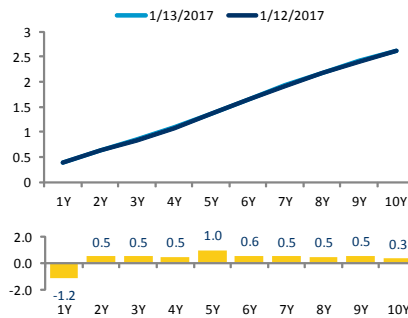
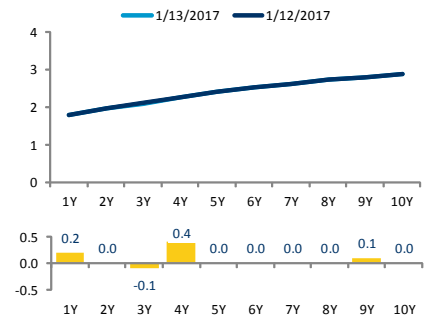
Equities: Austria's plan to raise diesel taxes good for Unipetrol

(CZ) Unipetrol: Austria's plan to raise diesel taxes and align them with gasoline's in order to cut pollution and respond to the Volkswagen scandal. We consider as slightly positive for Unipetrol as it could at least partly increase sales volumes in CZ.

Weekly Preview: Moody's and Fitch to look at Poland

(PL) Macro: Moody's and Fitch will revise Poland's sovereign ratings for the first time this year. Bear in mind that the rating agencies' moves have been monitored very closely from the perspective of the zloty and Polish bonds since January last year, when S&P's surprisingly downgraded Poland's rating (to BBB+). Neither Moody's nor Fitch may necessarily like the expansive changes in the country's long-term fiscal policy – specifically the reduction in the retirement age. Let us add that Fitch is keeping Poland's rating at A- and Moody's even one notch higher (A2). Moreover, Moody's outlook for Poland's rating is currently negative, and thus the risk of a rating downgrade by this agency is really significant.

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
HU	9:00	CPI	% 12/01/2016		1.6	0.4	1.8	0.3	1.7	0.1	1.1
CZ	10:00	Current account	CZK B 11/01/2016	6				9.5		16.99	
PL	14:00	Money supply M3	% 12/2016					1.8	9.6	1.8	9.7
PL	14:00	Current account	EUR M 11/01/2016					-319		-393	
PL	14:00	Trade balance	EUR M 11/01/2016					100		30	
PL	17:00	Review rating - Moody's	A2 neg 1. revize								
PL	17:00	Review rating - Fitch	A- 1. revize								

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		+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 date of the report and are subject to change without notice.

