



Central European Daily

Monday, 04 July 2016

Dear clients, please note the next CE Daily will be released on July 18th.

Headlines

Worsened regional PMIs weaken CE currencies

S&P confirm Polish sovereign rating

Central European currencies eased at the end of the last week, presumably due to previously reported worse-than-expected PMI indices in manufacturing. Business sentiment in Central Europe surprisingly deteriorated just before the Brexit vote. **While Hungary's PMI dropped to the year's bottom value, its Czech counterpart declined even deeper, to the three-year low.** In contrast to Czech and Hungarian PMIs, a bad omen in the form of a drop in the sub-index of new orders has not been present in Poland. Irrespective of country differences, all CEE's PMI indices are still standing above the breakeven level of 50 points. Let's wait if they stay there also in July, when the result of the Brexit referendum will influence business mood across Europe for the first time.

The S&P rating assessment of Poland was the second important regional news announced on Friday afternoon. Following a downgrade in January, the rating agency decided this time to confirm Poland's 'BBB+' rating (with a negative outlook). Among reputable rating agencies, the S&P have been holding Polish sovereign ratings at the lowest level; hence a downgrade could hardly be expected. **A bigger threat for Poland pose pending verdicts of other rating agencies – namely that of the Fitch to be released as early as on July 15th.**

Currencies		% chng
EUR/CZK	27.07	0.0
EUR/HUF	316.3	0.3
EUR/PLN	4.41	0.7
EUR/USD	1.11	0.3
EUR/CHF	1.08	-0.1

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.03	0.08	-0.12	-0.20
EUR/PLN		0.32	0.00	0.01
EUR/HUF			-0.24	0.01
EUR/USD				0.52

correlations of 30 min changes
over past 5 sessions

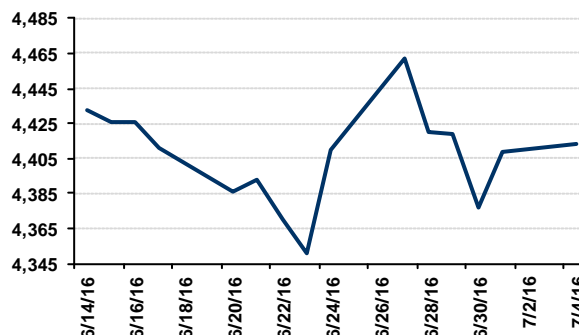
FRA 3x6	%	bps chng
CZK	0.26	0
HUF	0.92	0
PLN	1.66	1
EUR	-0.32	-1

GB	%	bps chng
Czech Rep. 10Y	0.46	0
Hungary 10Y	3.04	-15
Poland 10Y	2.89	-2
Slovakia 10Y	0.59	-5

CDS 5Y	%	bps chng
Czech Rep.	44	3
Hungary	176	15
Poland	106	0
Slovakia	44	3

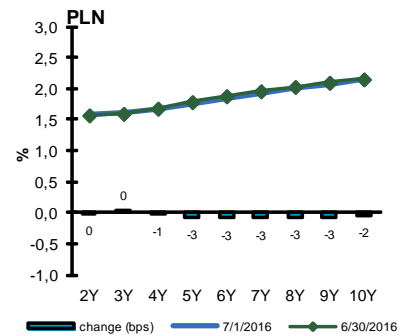
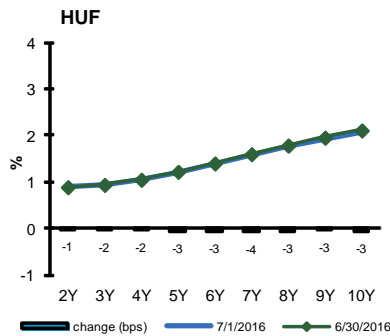
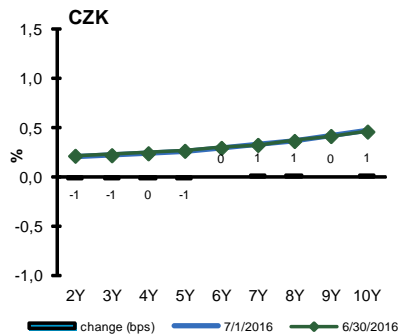
Source: Reuters

EUR/PLN



The Polish zloty rallied together with other risky assets following the Brexit shock, but worse-than-expected PMIs broke the bullish mood.

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

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