

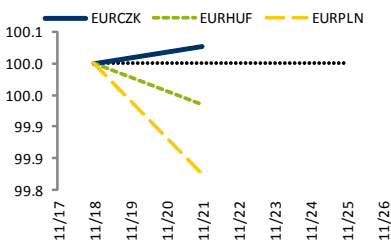


Central European Daily

Monday, 21 November 2016

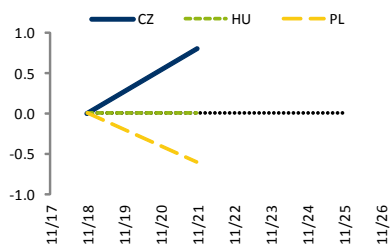
Regional Overview

Forex markets (index)



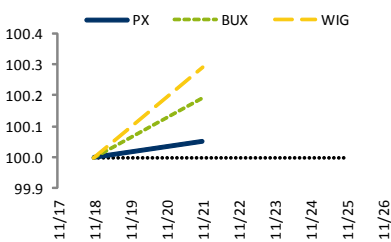
| | LAST | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 27.04 | 27.03 | 0.03 |
| EURHUF | 308.8 | 309.0 | -0.06 |
| EURPLN | 4.430 | 4.437 | -0.18 |

Gov. bonds 10 Y (bps change)



| | LAST | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 0.564 | 0.556 | 0.8 |
| HUGB 10Y | #N/A | #N/A | #N/A |
| PLGB 10Y | 3.69 | 3.69 | -0.2 |

Equity indices (index)



| | LAST | PREVIOUS | CHANGE (%) |
|-----|-------|----------|------------|
| PX | 884.9 | 884.4 | 0.05 |
| BUX | 30167 | 30109 | 0.19 |
| WIG | 47047 | 46911 | 0.29 |

Macro, FX & Rates: Signs of some relief for the zloty

(PL) Signs of risk-on mood, helped by a stabilizing dollar and signs of some improvement in global bond markets should bring some relief into Polish fixed-income and FX markets too. So let's see, how Polish markets will react to an important series of domestic (hard) macro figures for October.

Equities: Are special sector taxes back in Czech politics?

(CZ) TAXES: Czech Finance Minister Andrej Babis said that instead of imposing a sector tax (on banks, utilities,...) he is thinking about lowering the 15% tax on dividends as a way to encourage Czech companies based in places like Cyprus and the Netherlands to bring their money back to the CR. The rate in Slovakia is 7%, he said. We should also compete as a country by lowering corporate taxes and labor costs, he said. *Note that Prime Minister Sobotka of Social democrats warned last Wednesday that his party (CSSD) may propose special taxes on banks, utilities and telecoms as extra levies on financial, energy and telecommunications industries would curb outflows of dividends to foreign owners; This was a story before the last elections in 2013. Next elections are scheduled for October 2017, so it seems that current prime minister would like to play the same cards again. Nevertheless, we expect he can just hardly find some supporters with exception of the Communist party. Both left-wing parties, however, loosing their voters in favour of Babis's ANO according latest polls.*

(PL) PGE: produced net 43.7 TWh of electrical energy in 10M 2016, down 5.8% y/y, but sold 35.7 TWh to retail end-users, up by 10.2% y/y, the firm said in a market filing with operating data estimates. *We consider this as a slightly negative production rebound visible in 9M16 results (+c. 1.4TWh y/y) seems to be coming down towards the end of the year; /*

(PL) OFE: Poland stands by its plans to transfer 25% of pension fund OFE assets to the Demographic Reserve Fund and the rest to the third pillar of the pension system, and the Labor Ministry's draft recommendations on pension system review fit in with those plans, the Finance Ministry and the Family and Labor Ministry said in a joint statement last Friday. *Long talks of a 100% shift, although far from becoming reality, may convince investors to add a new discounting factor to valuations of Polish equities.*

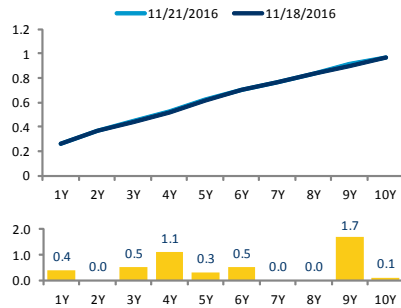
Preview: Watch Polish hard macro figures for October

(PL) Central Statistical Office will release industrial production and retail sales figures for October.

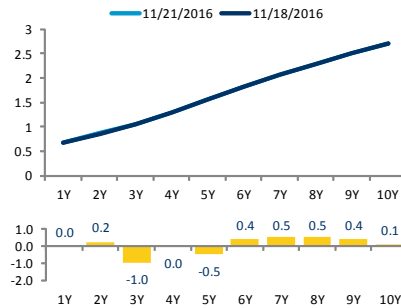
(HU) NBH's meeting: There is no reason for the **National Bank of Hungary (NBH)** to change its policy, because it can be satisfied that money market interest rates remain low on the one hand, and inflation is starting to rise at last on the other (year-on-year inflation jumped to 1% in October).

Interest-rate Swap Curves

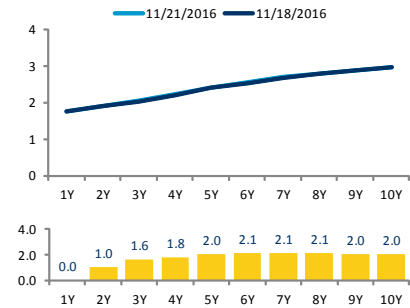
CZK *



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 |
| PL | 14:00 | Retail sales | % | 10/01/2016 | | | | 4.1 | 4 | -1.2 | 4.8 |
| PL | 14:00 | Industrial output | % | 10/01/2016 | | | | -0.3 | 0.9 | 10.4 | 3.2 |
| PL | 14:00 | PPI | % | 10/2016 | | | | 0.3 | 0.4 | 0.3 | 0.2 |

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