

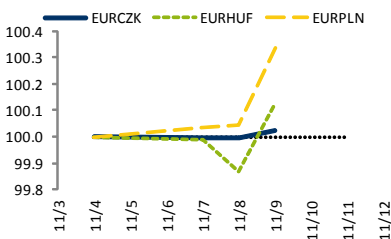


# Central European Daily

Wednesday, 09 November 2016

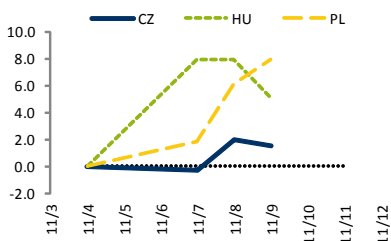
## Regional Overview

### Forex markets (index)



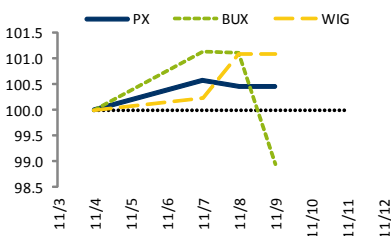
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.03	27.02	0.03
EURHUF	306.0	305.2	0.26
EURPLN	4.342	4.330	0.29

### Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.467	0.472	-0.5
HUGB 10Y	3.06	3.09	-0.9
PLGB 10Y	3.12	3.10	0.6

### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	898.0	898.0	0.00
BUX	29698	30348	-2.14
WIG	48128	48128	0.00

### Macro, FX & Rates: Czech inflation surprisingly higher

Today in early trading, **initial reaction to US presidential elections** was **mildly negative** but after Trump's speech the situation calmed and the zloty which saw the largest losses **regained some ground**.

Regarding **Czech inflation** figures for October, it came out **higher than expected** at 0.8% Y/Y and 0.3% M/M. In month-on-month terms, price increase was driven by seasonally higher prices of clothes and footwear and higher oil prices. The latter also contributed to acceleration of year-on-year inflation.

### Equities: CPS results positive

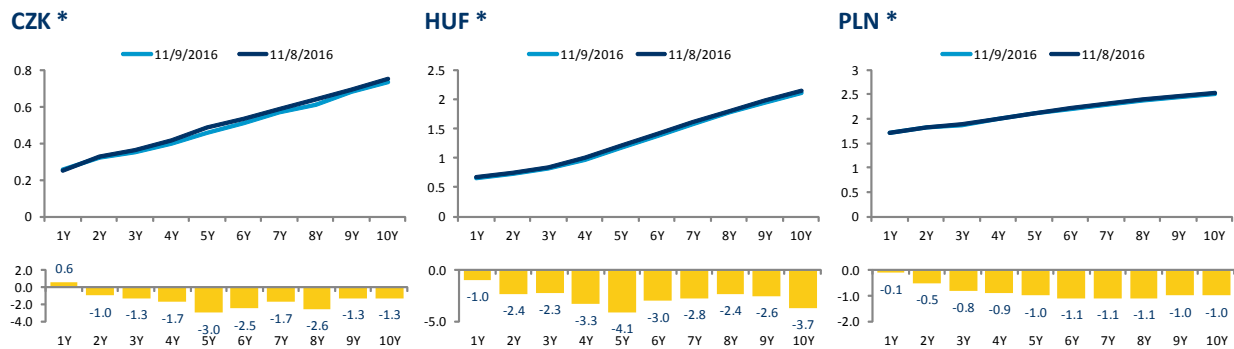
**(PL) CPS:** Company reported its 3Q16 figures today morning. In general results fully matched our estimated on both EBIT and Net Income and were slightly better compared to consensus figures. **/POSITIVE.** We would expect positive market reaction, nevertheless result of US elections may put markets under short term pressure. We confirm our **HOLD** recommendation with target price at PLN 25.3/shr. On top of that, Company adjusted its dividend policy seeking to pay dividend based on its progress towards its target of reducing net debt to EBITDA below 1.75x with the first threshold for net debt to EBITDA between 2.5 – 3.2x (this would imply total payment between PLN 200 – 400mn). Statement linked to Company's dividend policy stems fully in line with our estimates. We assume CPS's leverage to peak at 3.2x in 2016 and gradual decline to 2.8x in 2017 and further down since than to CPS's long term target at 1.75x until 2020. We expect PLN 200mn to be paid in 2017 that equals DPS at 0.31; 1.3% yield and 28% pay-out.

**(PL) PGE:** Company confirmed its 3Q16 net profit at PLN 656mn (-36% y/y) and EBITDA of PLN 1.643bn (-18% y/y), in-line with a preliminary release from Oct-25; PGE said EBITDA decline in conventional generation and renewable energy segments and stability in supply and distribution segments in 2017; **/ NEUTRAL;** An 18% y/y decline in 3Q EBITDA earnings was 70% traceable to the core segment of generation. The total PLN 360mn decline was said to include PLN 144mn from lower results on electricity, PLN 113mn on increased CO2 costs and PLN 128mn in a change in capitalized costs, offset by PLN 106mn in lower fuels costs;

### Weekly Preview: NBP will keep its policy course

**(PL) The National Bank of Poland** will **not want to change** its fairly conservative policy this time either. Inflation is slowly returning to zero at last, and is likely to reach positive territory early next year. The NBP can also be satisfied with the very swift (nominal as well as real) wage growth, which certainly does not favor any further monetary easing.

# Interest-rate Swap Curves



\* 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	0:00	Earnings Magyar Telekom	HUF 3Q/2016								
PL	0:00	Earnings Energa	PLN 3Q/2016								
PL	0:00	Earnings PGNiG	PLN 3Q/2016								
PL	0:00	Earnings Tauron Polska	PLN 3Q/2016								
CZ	9:00	CPI	% 10/01/2016	0.2	0.7			0.2	0.7	-0.2	0.5
HU	9:00	Trade balance	EUR M 09/2016 *P	1000				1000		591	
PL	14:00	NBP meeting	% 11/01/2016	1.5				1.5		1.5	

## Contacts

Brussels Research (KBC)			Global Sales Force		
Piet Lammens	+32 2 417 59 41		<b>Brussels</b>		
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
<b>Dublin Research</b>			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
<b>Prague Research (CSOB)</b>			<b>Prague</b>		
Jan Cermak	+420 2 6135 3578				+420 2 6135 3535
Jan Bures	+420 2 6135 3574				
Petr Baca	+420 2 6135 3570				
<b>Bratislava Research (CSOB)</b>			<b>Bratislava</b>		
Marek Gabris	+421 2 5966 8809				+421 2 5966 8820
<b>Budapest Research</b>			<b>Budapest</b>		
David Nemeth	+36 1 328 9989				+36 1 328 99 85

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