

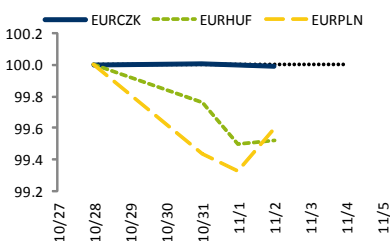


Central European Daily

Wednesday, 02 November 2016

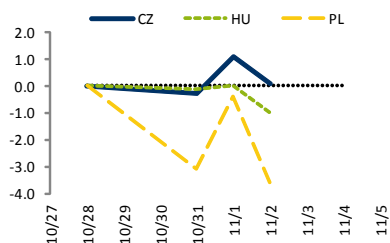
Regional Overview

Forex markets (index)



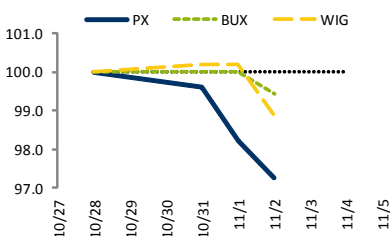
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	-0.01
EURHUF	308.1	308.0	0.02
EURPLN	4.314	4.302	0.27

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.456	0.466	-1.0
HUGB 10Y	3.00	3.01	-0.3
PLGB 10Y	3.08	3.11	-1.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	900.3	908.8	-0.94
BUX	29637	29803	-0.56
WIG	48510	49159	-1.32

Macro, FX & Rates: Polish PMI hits 25-month low

Yesterday, **Czech PMI** for October came out a **bit stronger** than expected. The headline index hit a five-month high. Both output and new orders increased the most since March. There was no impact on koruna and **12M EUR/CZK forward** has in fact gone **slightly higher** in recent days.

Regarding news, **Czech government budget** surplus rose to more than CZK 100bn in October. It is more or less clear now that budget **will end in surplus** this year despite CZK 70bn deficit that had been expected.

Today, Polish PMI for October **surprised negatively**. The index hit only 50.2 points as **employment** rose at the **weakest pace in more than two years**. The figure even has impact on the **zloty** which **slightly depreciates** after the release.

Hungarian PMI surprised positively and remained unchanged at 57.0 points in October.

Equities: WIG and BUX trading reopens after holidays

TELEC: target price increased from CZK 263/shr to CZK 285/shr by Berenberg, Buy rating confirmed.

PZU: S&P rating agency affirmed at 'A-' with negative outlook.

PKO: target price increased from PLN 19/shr to PLN 20/shr by Morgan Stanley, underweight rating unchanged.

KRUK: posted PLN 74.4mn net profit in 3Q16, 19.2% above market consensus for PLN 62.4mn net take. Positive surprise primarily fuelled by higher than expected revenues (4.4% above cons).

OTP: VTB raised TP to HUF7500 from 6500, but maintained its SELL recommendation (BB)

MOL: DB raised TP from HUF16500 to HUF20800 (portfolio.hu)

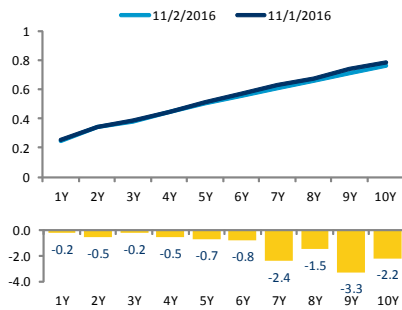
Preview: Watch CNB meeting on Thursday

Czech National Bank's (CNB) monetary policy **meeting** is this week's eye-catcher. Although the bank's board will have a new forecast at its disposal, we do not expect any significant changes in the communication as economic developments are more or less in line with the previous projection. We therefore still **expect the CNB to exit the intervention regime in the third quarter of 2017**. The key risk at the moment is possible extension of ECB's QE programme (or pace of possible tapering).

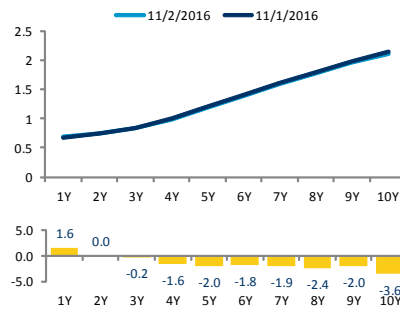
Regarding **CE3 3Q16 earnings season**, there are Komerční Banka (CZ), Richter (HU), ING Bank Śląski (PL) or Fortuna (CZ) 3Q16 results on Thursday, Erste Bank (AT) or MOL (HU) 3Q16 results on Friday.

Interest-rate Swap Curves

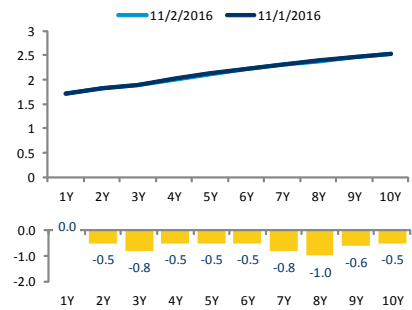
CZK *



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	PMI manufacturing	10/01/2016			57		53.8		57	
PL	9:00	PMI manufacturing	10/01/2016			50.2		52.5		52.2	

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