

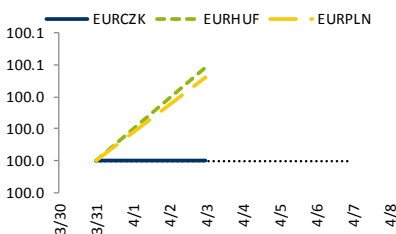


# Central European Daily

Monday, 03 April 2017

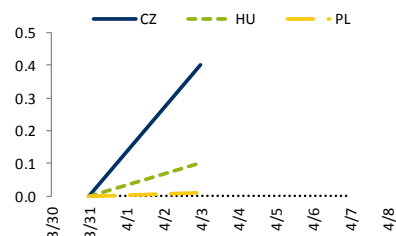
## Regional Overview

### Forex markets (index)



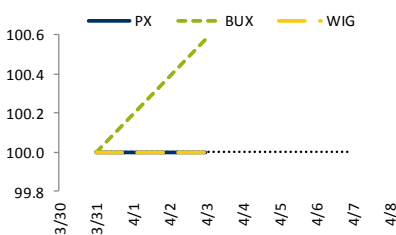
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	0.00
EURHUF	309.0	308.8	0.06
EURPLN	4.233	4.231	0.05

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



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.872	0.868	0.4
HUGB 10Y	3.25	3.25	0.0
PLGB 10Y	3.48	3.48	0.0

### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	981.2	981.2	0.00
BUX	31815	31634	0.57
WIG	57911	57911	0.00

### Macro, FX & Rates: Polish inflation slowed down in March

**(CZ+PL) Czech PMI** for March came out in line with expectations at 57.5 while **Polish index surprised slightly negatively** (53.5 vs. 54.6), today's data showed.

**(PL)** A flash estimate of **Polish inflation surprisingly showed that it fell in March**, when the m/m consumer price index decreased by 0.1%. As in Germany and the Eurozone, the **year-on-year inflation in Poland visibly slowed in March** - specifically from 2.2% to **2.0%**, which is again moving away from the NBP's target. This was **clearly a disappointment for the zloty**, because the hope that the NBP would be forced to tighten its monetary policy is further postponed. And the stronger zloty, along with lower fuel and food prices were probably responsible for the monthly decline in consumer prices (the detailed structure of inflation will not be available until April 12).

**(CZ)** The growth of the Czech economy slowed in 2016 to about half of the previous year; from 4.6% to 2.3%. It **continued to slow down at the end of the year as public sector investment failed to restart**. An economy running on consumption and exports on the demand side is nothing new nor is the dominant role of industry on the supply side.

### Equities: PL pension funds may be allowed to transfer some shares to DRF

**(PL) OFE:** Polish government may allow pension funds to transfer shares beyond 75% asset limit in planned pension overhaul to state Demographic Reserve Fund (DRF) / **SLIGHT POSITIVE;** *If current equity allocation levels hold, the pension funds would not have to sell shares worth c. PLN 5.4bn; Please note, latest government proposal includes a transfer of 25% of OFE assets to the DRF; Equities with substantial OFE holdings include e.g. PKN, KGHM, PKO BP, LPP, CCC, ACP or KTY; /*

### Weekly Preview: Stronger zloty will contain NBP hawks

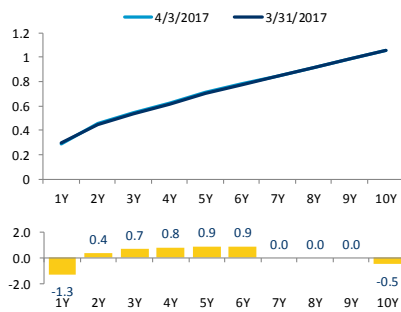
**(PL)** Inflation slowing down in March and the appreciation of the zloty seems have totally **dampened any hawkish intentions within the Monetary Policy Council (MPC)**. No change in the policy can therefore be expected from the **NBP at the April meeting**, the commentary on the meeting of the MPC may be softer than last time.

**(CZ)** The soft indicators, whether the business cycle survey or the purchasing managers' index showed that **Czech industry** was thriving at the beginning of this year. We assume that **February was no exception**, although the results at first glance appear weak because of the lower number of working days. **After adjustment, however, we expect approximately five percent annual growth, supported primarily by the automotive industry.** Energy, the chemical industry and the production of computers probably did not lag behind this time. Industry will maintain its position as the main driver of the Czech economy.

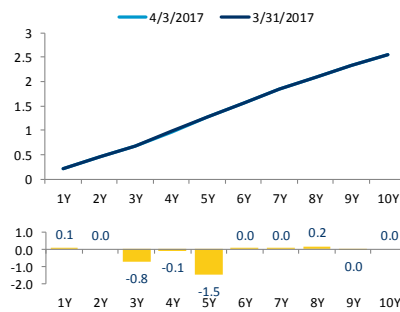
**(CZ)** We expect that **Czech foreign exchange reserves recorded a further sharp increase in March due to the CNB interventions**. It is very probable that this time interventions against the crown reached new historical highs, surpassing January's fifteen billion. As a result of this policy foreign exchange reserves are more than 120 billion euros. Which corresponds to just under 70% of GDP. Just for interest, before the CNB launched its intervention episode, it had reserves worth 35 billion euros or 22% of GDP available.

# Interest-rate Swap Curves

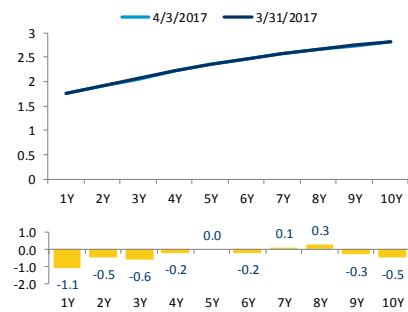
CZK \*



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	03/01/2017			56		58		59.5	
PL	9:00	PMI manufacturing	03/01/2017			53.5		54.6		54.2	
HU	9:00	Trade balance	EUR M 01/2017 *F			633				658	
CZ	9:30	PMI manufacturing	03/01/2017					57.5		57.6	
CZ	14:00	Budget balance	CZK B 03/01/2017							3.7	

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