

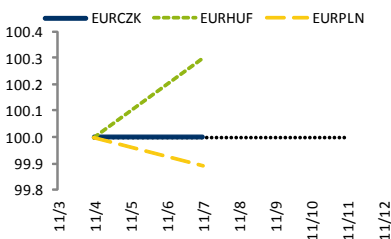


Central European Daily

Monday, 07 November 2016

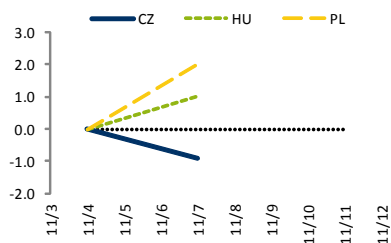
Regional Overview

Forex markets (index)



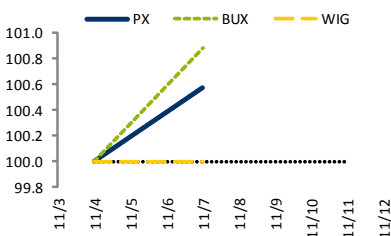
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	0.00
EURHUF	306.5	305.6	0.30
EURPLN	4.323	4.328	-0.11

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.443	0.452	-0.9
HUGB 10Y	3.02	3.01	0.3
PLGB 10Y	3.06	3.04	0.7

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	899.0	893.8	0.58
BUX	30280	30017	0.88
WIG	47611	47611	0.00

Macro, FX & Rates: Moody's upgrades Hungary's rating

Moody's upgraded the Hungarian sovereign rating thus Hungarian government bonds got classified for investment provided category at the three main credit rating agency. The HUF continued its Thursday's bullish run on Friday, supported by credit upgrade news. EUR/HUF quotes sank below 306 but jumped back above this level by market close. The pair hovers around 306.4 in morning hours.

Hungarian and Czech retail sales posted again very strong gains in September. Retail sales in both countries grew by around 5% y/y, which is clear evidence that growth has been still highly supported by strong private consumption. Hence, both the NBH and the CNB could be satisfied that domestic demand has remained strong, so it would support inflationary forces in respective economies.

Equities: PKO results in line with estimates

(PL) PKO reported its 3Q16 figures, which were in line with market consensus. Net interest income grew 8.4% y/y to PLN 1.97bn, 0.6 In our view *the results looks broadly line with market consensus with both income and cost side in line with estimates. We can imagine neutral market reaction today.*

Preview: Hungarian and Czech industries in good shape

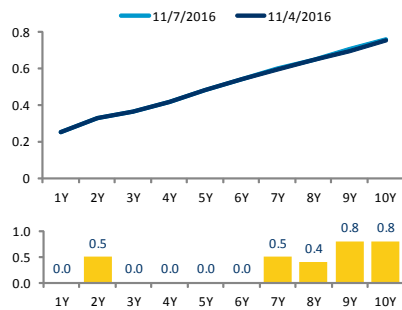
The **Hungarian consumer price index** is expected to accelerate further in October. The main reason is the tax increase levied on the fuel from October and also the gradually increasing domestic consumption. **We expect annual headline at 1% Y/Y for October** and further increase to 1.5% Y/Y till December, so the average inflation is expected to be 0.4% Y/Y in 2016.

The Hungarian industrial production had quite week period during the last months, but the new orders increase suggests that it may rebound in the autumn. But on the other hand the base is also quite high as there was a fast acceleration of industrial production in last year as well. So **we expect around 4% Y/Y increase for September.**

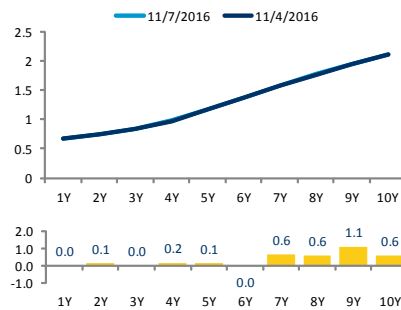
We expect the positive trend in **the Czech industry, primarily associated with expanding passenger car production, to persist in September.** After all, this was already suggested by interim reports from carmakers as well as the previous development of orders. Regarding other sectors, very solid figures can be anticipated from the electrical industry, chemistry, manufacture of metal products, and engineering. By contrast, mining and quarrying probably remain subdued. New orders should develop well again, also promising good prospects for industry in the months to come.

Interest-rate Swap Curves

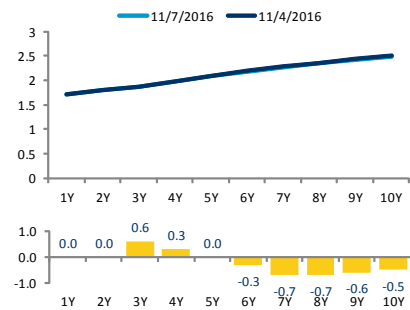
CZK *



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
CZ	0:00	Earnings Kofola	CZK 3Q/2016								
PL	0:00	Earnings PKO Bank Polski	PLN 3Q/2016								
CZ	9:00	Retail sales	% 09/2016		6	4.4		6			11.1
HU	9:00	Retail sales	% 09/01/2016					5.1		4.5	4.3

Contacts

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

ALL OUR REPORTS ARE AVAILABLE ON WWW.KBC.BE/DEALINGROOM

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

