

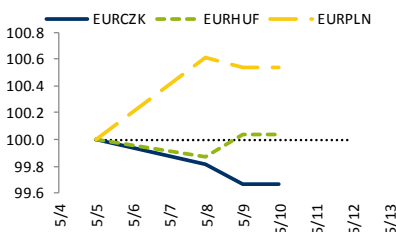


Central European Daily

Wednesday, 10 May 2017

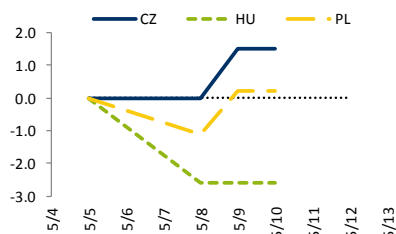
Regional Overview

Forex markets (index)



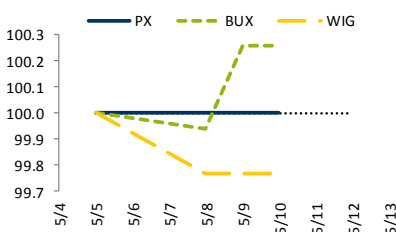
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.63	26.63	0.00
EURHUF	311.7	311.7	0.00
EURPLN	4.230	4.230	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.620	0.620	0.0
HUGB 10Y	3.13	3.13	0.0
PLGB 10Y	3.46	3.46	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	10005.9	10005.9	0.00
BUX	32949	32949	0.00
WIG	61687	61687	0.00

Macro, FX & Rates: Czech inflation surprises on downside

(CZ) Macro The Czech headline stayed surprisingly flat in April, which led to an unexpected decline in year-on-year terms (from 2.6% in March to 2.0%). It seems that seasonal factors surrounding Easter could be partly in play in unexpected drop of the price level.

Compared to last year, fuel, food and, above all, food in restaurants are the biggest contributors to price pressures. And, *much will not change in this direction in the next few months, although a slight decline in gasoline and diesel prices (thanks to lower oil prices) can be expected. Over time, the rise in food prices could also calm down, because even agricultural prices do not rise rapidly. Conversely, more people will pay extra for their housing as energy prices, and especially rents, are beginning to rise, reflecting the strong demand on the domestic housing market.*

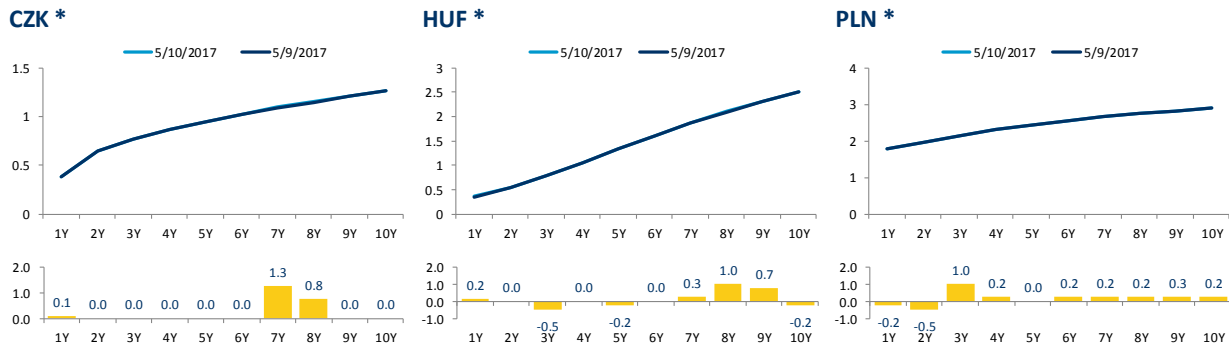
Hence, the Czech headline inflation will remain just over two percent in coming months and it will probably stay below the latest CNB forecast. Beside stronger koruna, it will become another argument why the CNB should not speed up a start of its hiking cycle. For now, it seems the firmer koruna delivers sufficient tightening of the monetary conditions in the Czech economy.

Equities: Bank PEO's Tier I well above requirement level

(PL) Bank Pekao Bank PEO netted PLN 350mn in 1Q17, which represents a 39% decline vs. 1Q16. *PEO beat the market consensus by 6.9% on lower than expected Cost of risk, 1.9% better NII and Core OPEX under control. Net interest income reached PLN 1125mn (up 4.2% y/y), 1.9% above market consensus and 0.7% above our estimates. Total operating income was 1.4% above cons and 0.7% above our estimates. Total core operating costs reached PLN 794mn, down 2.3% y/y and 1.8% better than we anticipated. PEO reported strong 6.2% y/y loan growth. As expected the growth was primarily driven by retail loans (+9.1% y/y), while corporate segment is still waiting for the faster recovery (+3.1% y/y).*

(PL) Energa It earned PLN 310mn in attributable net profits in 1Q17, beating the market consensus of PLN 253.8mn, and confirmed PLN 601mn EBITDA as pre-released in April. *Management booked a PLN 53mn gain in Q1 2017 (pre-announced) an option it has for shares in builder Polimex. Apart of that the results were driven by distribution segment with an increased Q1 EBITDA by 6.2% to PLN 530mn despite a 0.4% decline in distribution volumes, with management claiming that margins had given a PLN 50mn boost to Q1 earnings before a rise in OPEX trimmed the gain. EBITDA in generation put up the promised 22% or PLN 29mn decline in Q1 EBITDA, a decline put almost exclusively to green certificate revenues and fixed costs while actual electricity generation suffered only a slight revenue decline on declining prices and a light increase in global production volumes.*

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
PL	0:00	Earnings Tauron Polska	PLN 1Q/2017								
HU	0:00	Earnings Magyar Telekom	HUF 1Q/2017								
CZ	9:00	Construction output	% 03/2017			0	6.2				-7
CZ	9:00	Industrial output	% 03/01/2017		8.5		10.9		9.5		2.7
CZ	9:00	CPI	% 04/01/2017	0.3	2.3	0	2	0.3	2.3	0	2.6
CZ	9:00	Unemployment rate 15-64	% 04/01/2017	4.4		4.4		4.5		4.8	
HU	9:00	CPI	% 04/01/2017			0.4	2.2	0.4	2.3	0	2.7

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