

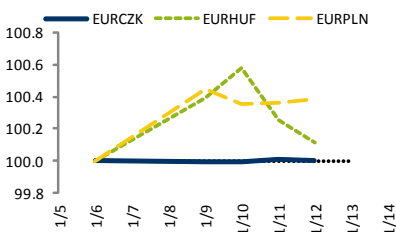


Central European Daily

Thursday, 12 January 2017

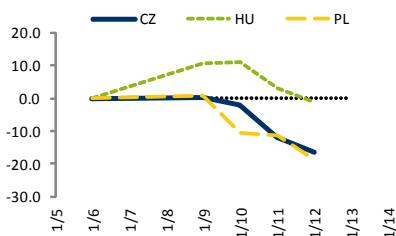
Regional Overview

Forex markets (index)



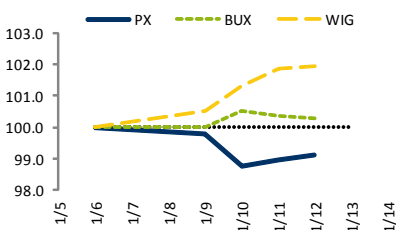
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	-0.01
EURHUF	307.7	308.1	-0.13
EURPLN	4.375	4.373	0.03

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.300	0.344	-4.4
HUGB 10Y	3.35	3.39	-1.2
PLGB 10Y	3.48	3.55	-2.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	929.4	927.9	0.16
BUX	32956	32972	-0.05
WIG	53749	53709	0.07

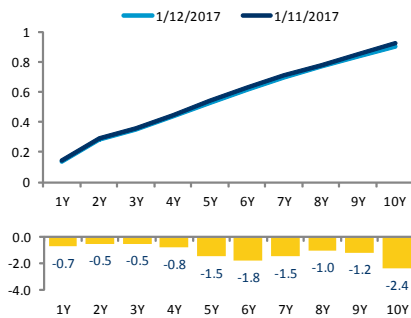
Macro, FX & Rates: NBP is happy with its policy

(PL macro) On Wednesday, Polish central bank (NBP) kept interest rates unchanged. NBP President Glapinski told the press conference that he saw **no need to raise interest rates in 2017**. / Not only interest rates but also the **overall message remains the same**. NBP is happy with current monetary policy settings and despite acceleration of inflation in December it sees no need to adjust interest rates. This is in line with our expectations; **we also predict stable official interest rates in Poland in 2017** with the possibility of rate hike in 2018. Maybe more interesting outcome of the meeting was that Glapinski reassured markets he was in favour of a market-friendly solution to problem of FX (Swiss franc) mortgages. This has again confirmed the independence of Monetary Policy Council named by the new government.

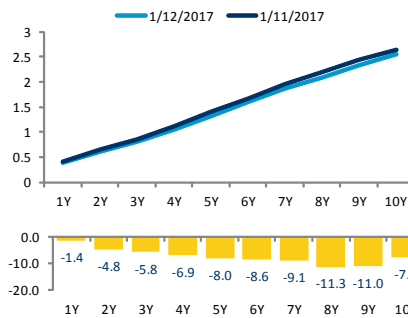
(CZ rates) Despite planning to sell "only" CZK 8bn, the **Ministry of Finance eventually sold CZK 12bn** (about EUR 0.44 bn) of zero-coupon bonds maturing in **January 2018 at a record-low average yield of -1.72 %** yesterday. Demand stood at CZK 32.3bn (about EUR 1.2 bn). / **Auction results reflect rising bets on (or rising fears of) appreciation of the koruna after the exit from interventions regime** which may take place already in the second quarter of 2017. Liquidity data from the Czech National Bank show that volume of liquidity withdrawn from the banking system has already increased by about CZK 250bn (approx. EUR 0.92bn) in January. Although the actual volume of interventions will be released with a two-month lag (i.e. in March), the **data indicate quite a strong intervention activity** of the central bank **in early January** (in fact, it may be even stronger than at the beginning of interventions in November 2013). It is therefore **likely the Ministry will take advantage of extraordinary conditions** prevailing in the market and **will sell more short-term bonds in the short-term** (which will be in line with its debt financing strategy).

Interest-rate Swap Curves

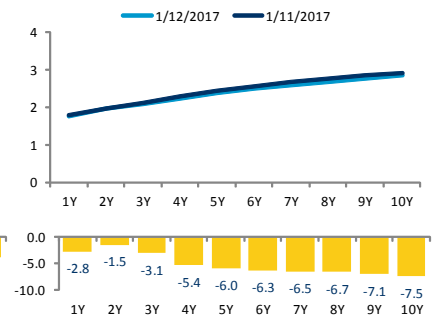
CZK *



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

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