

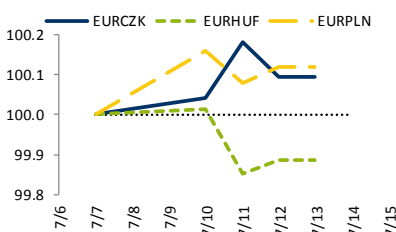


Central European Daily

Thursday, 13 July 2017

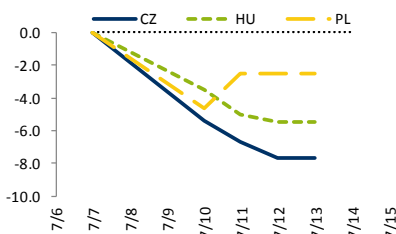
Regional Overview

Forex markets (index)



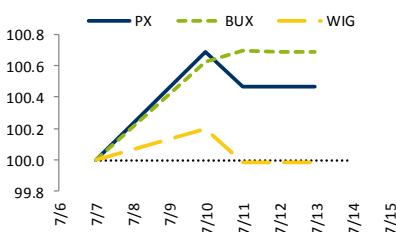
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.11	26.11	0.00
EURHUF	307.7	307.7	0.00
EURPLN	4.238	4.238	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.132	1.132	0.0
HUGB 10Y	3.14	3.14	0.0
PLGB 10Y	3.33	3.33	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	996.8	996.8	0.00
BUX	35747	35747	0.00
WIG	60700	60700	0.00

Macro, FX & Rates: HUF and PLN firm on Yellen's dovishness

(HU+PL) FX: The Polish zloty and the Hungarian forint gained yesterday as these currencies –like other emerging markets –received some temporary boots from slightly Fed dovish comment coming from Janet Yellen's testimony for US Congress. Recall that The Fed chief noted declines in "certain categories of prices," while such weakness was last month considered as "transitory." Additionally, she emphasized the lower neutral rate, suggesting no rush with the tightening cycle.

While the Fed policy is definitely important for global emerging markets, we believe that for the HUF and the PLN the ECB policy has crucial importance. In this respect, the next ECB scheduled for next Thursday should be closely watched.

Equities: ArcelorMittal may shut some Polish operation

(PL) JSW: ArcelorMittal may shut Polish furnace as steel production in Poland will become unprofitable if the EU adopts the proposed changes in the Emissions Trading System (ETS) after 2020, ArcelorMittal Poland's CEO said. Negative proposals affecting the steel industry include an unrealistic emission benchmark and the expected rise in the cost of emission allowances to EUR 30 per ton from the current level of EUR 5-6. If the changes are approved, ArcelorMittal Poland will refrain from modernizing its no. 2 furnace in Dabrowa Gornicza, slashing output by half, cutting staff by 800-1000 people and reducing coking coal purchases from the chief supplier, listed miner JSW. The EU decision is to be taken at end-2017, CEO expects.

Although this is not a fresh new idea, it's negative for JSW shares. On the other hand, we would not expect CO2 prices to rise significantly till the end of the decade.

(CZ) UNIPE: Company announced that received a confirmation of another (sixth in a row) payment in the amount of USD 120mn linked to steam cracker shutdown. On top of that, company informs that received also USD 12.9mn as a final compensation linked to FCC Kralupy unit.

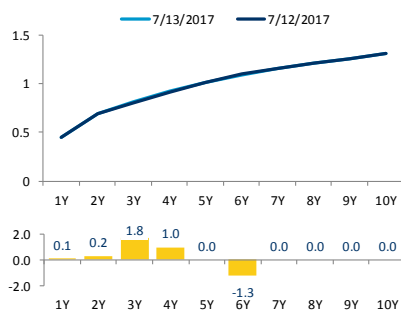
As of 1Q17, Unipetrol has received CZK 7.9bn compensation linked to steam cracker unit and CZK 1bn linked to FCC Kralupy unit. While for FCC unit CZK 1.3bn is final payment, for steam cracker company expects to receive more compensation in upcoming quarters above already received CZK 10.5bn (incl. USD 120mn in 2Q17).

(CZ) CEZ: One of Albania's dailies ran a front-page story yesterday about CEZ's suspected bribery of politicians in the privatization of a local energy company, but CEZ itself is keeping quiet, Czech local press (from Andrej Babis's MAFRA Group) wrote. When the Albanian parliamentary investigative commission asked it in January to explain a EUR 7mn payment to a lobbyist (7% of the acquisition price), Vice Chair Pleskac of CEZ responded that Albania is a closed chapter for CEZ.

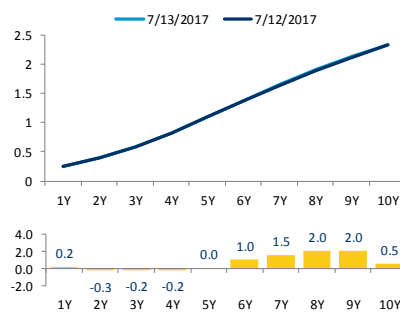
As we have expected in our latest note "Czech Elections - Something to get excited about?", a negative media discussions per order of Andrej Babis (former Ministry of Finance, probable next Prime Minister) resulting in a market risk for CEZ shares are only just starting as a part of a parliamentary election campaign.

Interest-rate Swap Curves

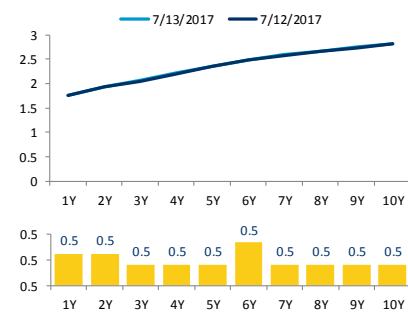
CZK *



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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