

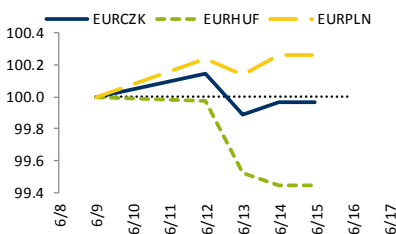


Central European Daily

Thursday, 15 June 2017

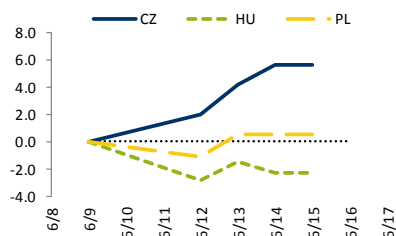
Regional Overview

Forex markets (index)



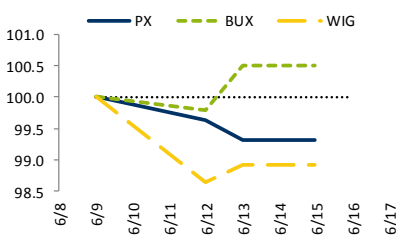
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.17	26.17	0.00
EURHUF	306.0	306.0	0.00
EURPLN	4.197	4.197	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.883	0.883	0.0
HUGB 10Y	2.97	2.97	0.0
PLGB 10Y	3.16	3.16	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1001.3	1001.3	0.00
BUX	35589	35589	0.00
WIG	60518	60518	0.00

Macro, FX & Rates: Czech PM is no longer a party leader

(CZ) Politics: Czech Prime Minister Bohuslav Sobotka steps down as a leader of Social democratic party, while he'll stay on as head of Czech government until elections.

Recall that the preferences of Social democrats have fallen significantly over the last 1-2Y (from circa 25-30% to some 10-15%, according to the latest polls), while the party need to do anything to deal with that. Elections are scheduled for early October 2017. We should also add that Sobotka could be as one of the most pro-Europe top politicians in the Czech Republic.

(Central Europe) FX & Rates: Yesterday, the US central bank as expected raised its Fed funds target range by 25 basis points to 1%-1.25%, the third consecutive quarterly rate increase. Moreover, The Fed interest rate outlook (dot plot) was virtually unchanged. Before the end of 2017, the Fed expects one more rate hike (1.375%) and 3 for 2018 3 (2.125%). In 2019, the Fed expects 3 rate hikes (to 2.875%) instead of 3.5 hikes (to 3%) in March. So, the FOMC as a Committee stuck to its projected path of gradual rising rates over the next years. We should however add that the FOMC confirmed its intention to start winding down its balance, by not fully reinvesting the proceeds of the maturing assets, this year, if the economy evolves as expected. We suspect that the FOMC wants to raise rates once again in September and start its balance sheet run-off in early Q4, suggesting unchanged rates in December to gauge the impact of the tapering. Starting cap for tapering \$6B/month for Treasuries & \$4B for MBS at full speed (after 1 year) tapering amounts to \$50B/month or 600B/year.

We think that the relatively hawkish outcome of yesterday's FOMC meeting should not have significant on forex and fixed-income markets in Central Europe, since they are economic satellites of Eurozone and that is why the ECB policy is much more important. The stance of the ECB policy has, however, remained extremely relaxed, which is supportive for all regional assets. Nevertheless, should the Fed hawkishness trigger some sell-off in emerging markets the zloty and Polish government bonds would be vulnerable.

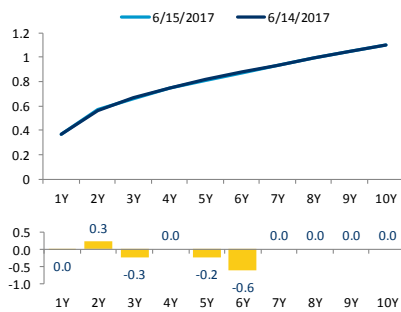
Equities: Pekao ousts its CEO and new one

(PL) PEO: Pekao Ousts CEO Lovaglio and named Mr. Krupinski as pending CEO.

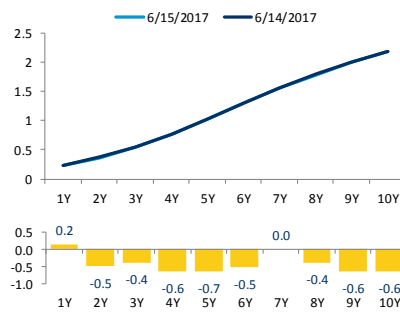
Let us add that Mr. Krupinski, who until recently oversaw PZU SA, was named acting CEO pending regulatory approval to take the post permanently. As the new CEO knows well PZU, it could accelerate cooperation between bank and insurance entity (synergies, cross selling). Rating agency S&P also added that the CEO reshuffle has no impact on the rating.

Interest-rate Swap Curves

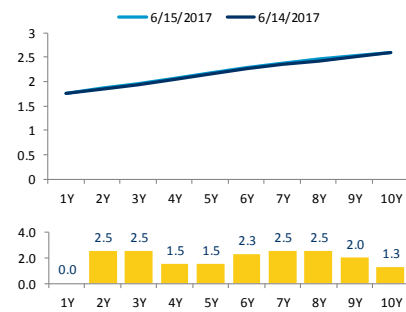
CZK *



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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