

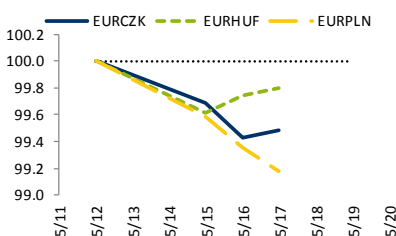


# Central European Daily

Wednesday, 17 May 2017

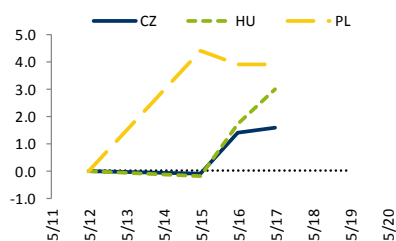
## Regional Overview

### Forex markets (index)



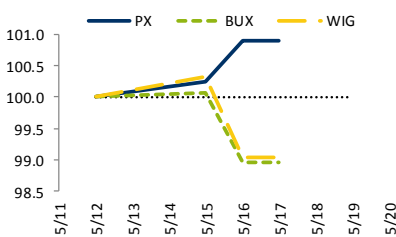
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.43	26.41	0.06
EURHUF	309.6	309.4	0.06
EURPLN	4.181	4.189	-0.18

### Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.892	0.890	0.2
HUGB 10Y	3.08	3.07	0.4
PLGB 10Y	3.34	3.34	0.0

### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1027.1	1027.1	0.00
BUX	34078	34078	0.00
WIG	61000	61000	0.00

### Macro, FX & Rates: Koruna hits fresh 4-year highs

**(CZ) Forex:** The Czech koruna rose to a new post-exit high by yesterday evening as the EUR/CZK pair slipped below 26.40 (meaning 2.2% stronger than the former FX floor set by the CNB). While the rally was supported by strong preliminary GDP figure for the first-quarter (2.9% y/y growth) it is just part of the story, because it seems that all regional (and emerging markets) currencies enjoy the bullish sentiment.

### Equities: PZU earnings beating consensus

**(PL) PZU** earned PLN 940mn, up 91% y/y and beat consensus forecast by 4.2%.

The positive surprise comes fully on the 1.1% beat in GWP and 6.4% better investment results than was expected by the market. On the y/y bases, the results were supported by no meaningful agricultural claims (PLN 216mn in 1Q16), a bit higher contribution from Alior Bank (PLN 183mn vs PLN 144mn a year ago) and positive revaluation of the stake in Azoty (+PLN 42mn vs -PLN 22mn in 1Q16). PZU & PFR fund to close purchase of 32.8% stake in Bank Pekao on June 7.

**(PL) LPP** suffered a PLN 117mn net loss in Q1, while matched management's pre-released estimate. Revenues were in line with the pre-released figure of PLN 1.362bn, up 16% y/y. Sales in lfl terms in local currencies were higher 4.6% y/y. Gross margin for the quarter measured 45.6%, marginally below 46.1% in Q1 2016. Results for 1Q17 were in line with pre-released figures, the firm stands by its FY17 gross margin guidance at 52-53% and will continue to develop its e-commerce operations, hoping this channel will account for 7-8% of group sales by 2020. LPP plans PLN 430mnn CAPEX for 2017 including PLN 370 mln on network as the firm intends to increase retail space by 11% y/y.

**(CZ) CEZ** will put all its nuclear assets in a new unit.

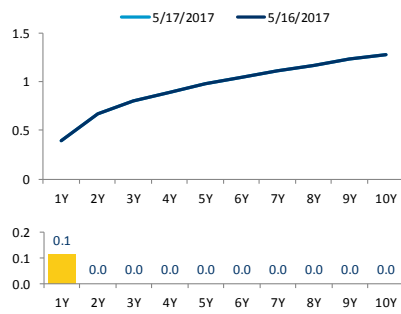
It is worth to watch as they said that this is not a step toward splitting up the company, but some kind of split in the 2-4Y horizon is definitely not ruled out in our view.

### Daily Preview: NBP on hold, though output gap is closing

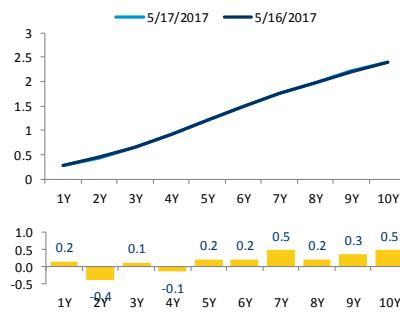
**(PL) NBP:** We believe the NBP will stay firmly on hold, but the MPC might take into account that the negative output gap has closed even further as conditions on the labor market has tightened further (recall also yesterday's release of the GDP for the first quarter of this year). On the other hand, the stronger zloty has already made monetary conditions somewhat firmer, so the tone MPC' statement could be rather neutral.

# Interest-rate Swap Curves

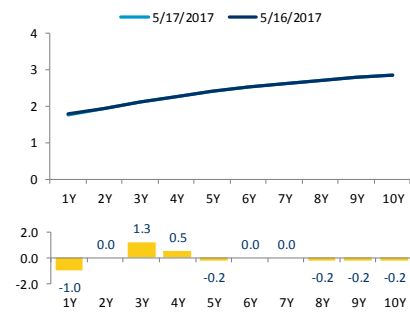
CZK \*



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
PL	0:00	Earnings PZU	PLN 1Q/2017								
CZ	12:00	CZ bond auction 2017-22, 0.00%	CZK B 05/01/2017					2			
CZ	12:00	CZ bond auction 2017-27, 0.25%	CZK B 05/2017					4			
PL	14:00	NBP meeting	% 05/01/2017	1.5				1.5		1.5	

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