



Central European Daily

Tuesday, 25 October 2016

Headlines

Currencies		% chng
EUR/CZK	27.01	0.0
EUR/HUF	308.1	0.3
EUR/PLN	4.32	0.1
EUR/USD	1.09	-0.4
EUR/CHF	1.08	-0.3

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.07	0.18	-0.15	-0.10
EUR/PLN		0.32	0.14	0.08
EUR/HUF			0.01	0.14
EUR/USD				0.55

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.28	0
HUF	0.68	0
PLN	1.73	-2
EUR	-0.30	0

GB	%	bps chng
Czech Rep. 10Y	0.41	0
Hungary 10Y	2.92	-3
Poland 10Y	2.95	0
Slovakia 10Y	0.49	2

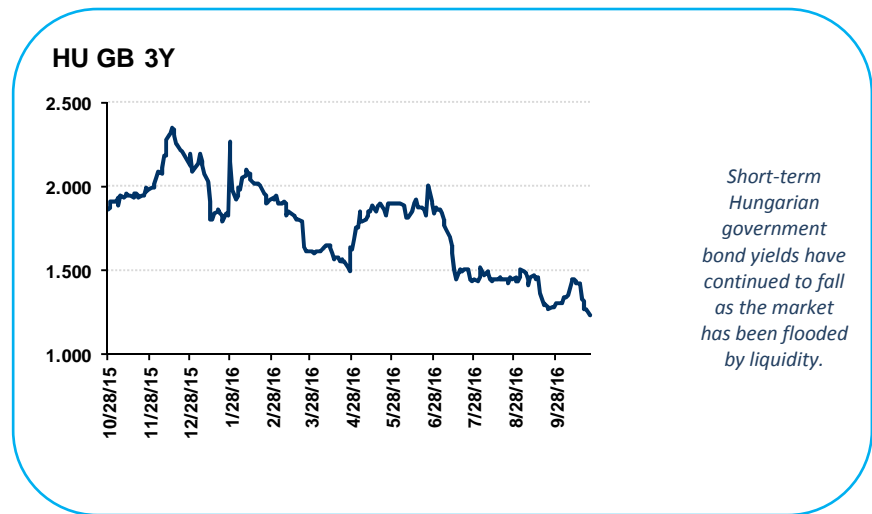
CDS 5Y	%	bps chng
Czech Rep.	41	0
Hungary	122	0
Poland	76	0
Slovakia	42	0

Source: Reuters

The NBH on hold today as its policy is still focusing on non-standard monetary tolls

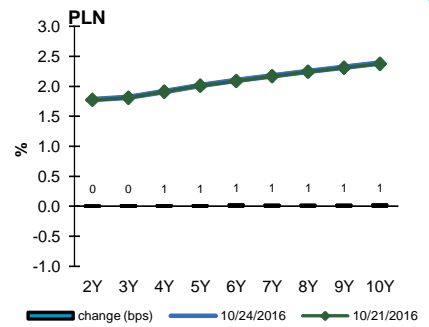
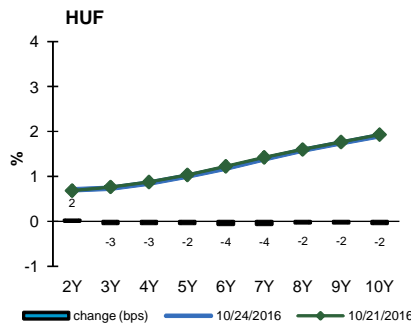
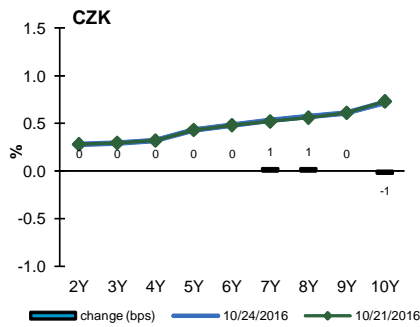
Hungarian financial markets eye another interest-rate-setting meeting of the National Bank of Hungary. We believe that **despite stronger private domestic demand (supported by strong wage and retail sales growth – see today’s release) dynamic the Monetary Council may maintain the neutral stance of its communication and leave rates on hold.** This means that inflation target may be met only at the middle of 2018, so no rate hike is expected in the next 18 months. Moreover, the NBH provided extra liquidity (around HUF200bn) for the market yesterday via 1-month swap at 0% interest rate. So it continues the easing of its monetary policy. Just a reminder that roughly HUF 500bn will be forced out from the NBH till the end of the year thanks to the introduction of maximum cap on the 3-month deposit. So, the NBH has been successfully working on lower Bubor interest rates and indirectly on a weaker forint.

By-the-way speaking about non-standard policy measures - the NBH arranged another swap-tender on Monday by the NBH, in its framework the central bank has made 200bn HUF swap deal with commercial banks, and the same amount dealt last week. All in all the NBH increased the interbank HUF liquidity with 400bn HUF in the last two weeks.



Short-term Hungarian government bond yields have continued to fall as the market has been flooded by liquidity.

Interest-rate Swap Curves



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
CZ	0:00	Earnings O2 Czech Republic	CZK 3Q/2016								
PL	10:00	Unemployment rate	% 09ú2016					8.4		8.5	
HU	14:00	NBH meeting	% 10/2016	0.9				0.9		0.9	

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