

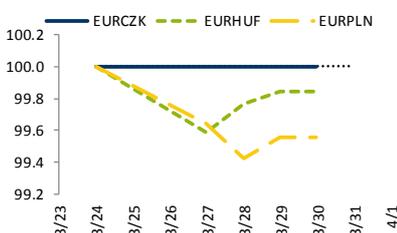


# Central European Daily

Thursday, 30 March 2017

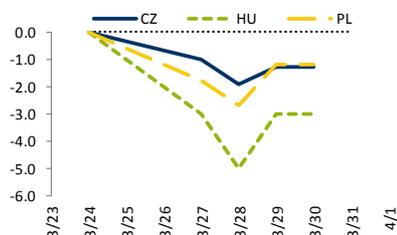
## Regional Overview

### Forex markets (index)



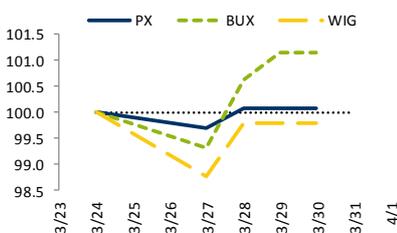
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	0.00
EURHUF	309.9	309.9	0.00
EURPLN	4.243	4.243	0.00

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



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.918	0.918	0.0
HUGB 10Y	3.34	3.34	0.0
PLGB 10Y	3.54	3.54	0.0

### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	983.2	983.2	0.00
BUX	32463	32463	0.00
WIG	58939	58939	0.00

### Macro, FX & Rates: EURCZK forwards go down

**(CZ)** Although the CNB is about to announce the results of its meeting in the early afternoon (13:00 CET, the press conference starts at 14:15), the effects of the meeting are already being felt in the morning. EURCZK forwards (esp. short maturities) are diving deeper below CNB EURCZK spot floor, probably due to strengthening speculative activity (the primary suspect) and maybe also some last-minute hedging.

**(PL)** The zloty hit the highest level against the euro since Nov2015. Good economic fundamentals as well as rising inflation have probably been supporting the zloty.

### Equities: CEZ started buyback of MOC convertible bonds

**(CZ)** CEZ/MOL: started buyback of bonds convertible to shares in Hungarian oil refiner MOL worth EUR 470.2mn. Bond buyback invitation expected to be open until 5pm on MAR-30. CEZ is also willing to sell up to 7.65mn MOL shares to qualifying investors. Settlement of both transactions expected around APR-04. / **TO WATCH**; The transaction has already been pre-announced during 4Q/FY16 results of CEZ on MAR-21, hence investors should be familiar with it. Please note, CEZ provided CZK 12-17bn net income guidance for 2017 within 4Q/FY16 results as net income could increase from CZK 12bn to CZK 17bn if bondholders of convertible bond exercise their right to redeem the bond by exchange for MOL shares instead of repayment of the bond in cash in 2017. CEZ has not marked-to-market MOL shares into P/L and as the MOL share price has significantly risen since the convertible bonds has been issued and so **CEZ might create additional net income on the transaction**. We think it is probable based on today's MOL share price of HUF 20 200 (c. 6% above the strike price) that investors should be willing to convert bonds into shares (and then sell them into market to get additional gains). Let us remind our X-Mas Trading Idea of **potential overhang of MOL shares** which is highly probable according to us;

### Weekly Preview: CNB's exit on the horizon

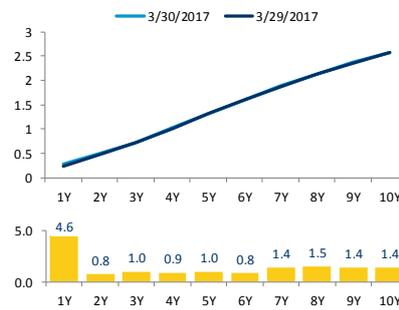
**(CZ)** The March meeting of the CNB Bank Board will be the last with the current exchange rate commitment, under which the CNB promises to maintain the exchange rate regime (to hold the EUR/CZK above 27.00). At the same time it will be a meeting between the two forecasts, so the council will also have to deal with the fact that its existing views are not being met. **Inflation is significantly higher than anticipated and the updated forecast probably confirms that the commitment to the monetary policy horizon has been met. Add to this the pressure on the crown** (in March the CNB has already probably purchased an additional 12 billion). And this is certainly not a reason to delay the end of the exchange rate regime. We expect that the CNB will exit from the current (FX) policy regime at the beginning of April and will make sure that it does not differ extremely from the current exchange rate limits. However, the end of the exchange rate regime does not mean the end of foreign exchange interventions.

# Interest-rate Swap Curves

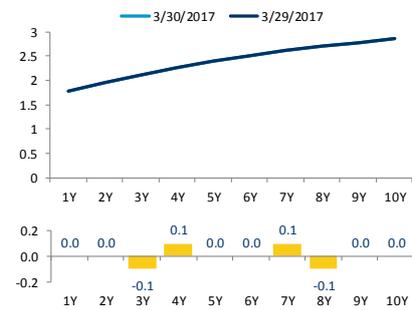
CZK \*



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
CZ	13:00	CNB meeting	03/01/2017	0.05				0.05		0.05	

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