

CEE MACRO AND FI DAILY

Sentiment in Germany slightly improves

On the Radar

- Unemployment rate in Poland went marginally up to 5.1% in December.
- Industrial producer prices in Slovakia were reported at -7.1% y/y in December.
- December's retail sales growth in Slovenia will be published at 10.30 AM CET.
- At 2 PM CET Hungarian central bank will announce rate decision.

Ifo sentiment, points

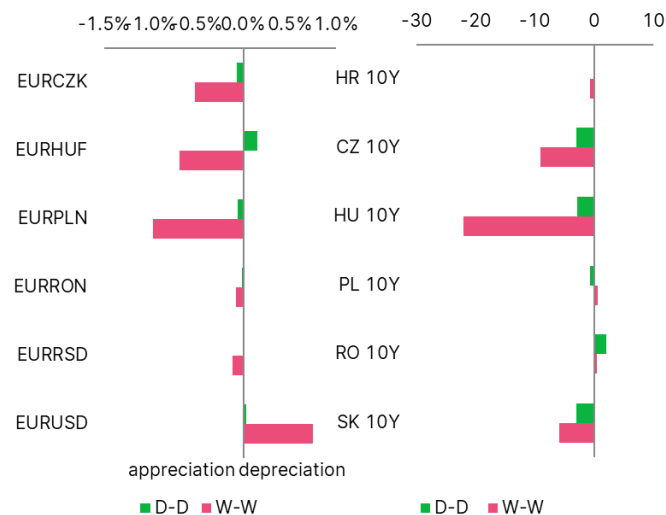


Source: Erste Group Research

Economic developments

Looking at the latest ifo indicators, sentiment among companies in Germany has improved slightly. The ifo Business Climate Index rose to 85.1 points in January, up from 84.7 points in December, primarily due to a more positive assessment of the current situation. According to the statement, expectations deteriorated again and companies continue to be pessimistic. Zooming in on manufacturing sector, the business climate saw a further decline. Improvement of the sentiment is in line with recent flash estimates of PMI indicators for Germany and Eurozone. PMI index in Germany positively surprised. The composite indicator crossed the important 50-point threshold by a tenth of a point. It has thus entered the expansion zone for the first time in six months.

Market performance



Source: Erste Group Research

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Market developments

Today, Hungarian central bank is expected to leave the key policy rate unchanged at 6.50% given most recent inflation development and relative weakness of local currency. CEE currencies have been relatively stable at the beginning of the week with EURHUF holding at 408, EURPLN at 4.21 and EURCZK at 25.08. On the bond market, long-term yields have been declining, including Romania regardless the change of the outlook from stable to negative by S&P. The demand for the Romanian bonds was also strong on Monday's auction, when Romania sold RON 400 million of 10Y government papers priced to yield at 7.83%.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
28. Jan	09:00	SK	PPI (y/y)	Dec			-8.90%
	10:30	SI	Retail Sales (y/y)	Dec		0.50%	4.20%
	14:00	HU	Central Bank Rate	Jan 25	0.07	6.50%	6.50%
29. Jan			No releases shceduled				

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.06	-0.1	-0.5
EUR/HUF	408.21	0.2	-0.7
EUR/PLN	4.21	-0.1	-1.0
EUR/RON	4.97	0.0	-0.1
EUR/RSD	116.95	0.0	-0.1
EUR/USD	1.05	0.0	0.7

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.84	-1	-4
HUF	6.50	0	0
PLN	5.88	2	3
RON	5.95	-1	1
RSD	4.70	0	0
EUR	2.64	0	-4

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.03	-3	-9
HU 10Y	6.62	-3	-22
PL 10Y	5.92	-1	1
RO 10Y	7.91	2	0
HR 10Y	3.10	0	-1
SK 10Y	3.24	-3	-6

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