

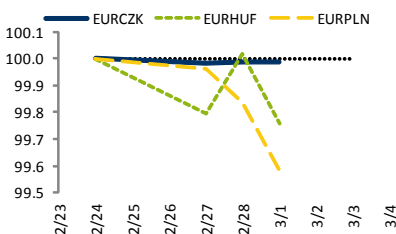


Central European Daily

Wednesday, 01 March 2017

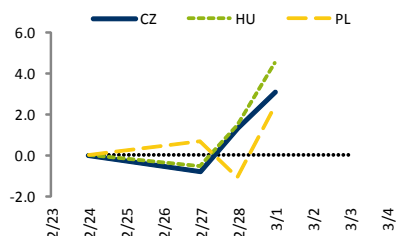
Regional Overview

Forex markets (index)



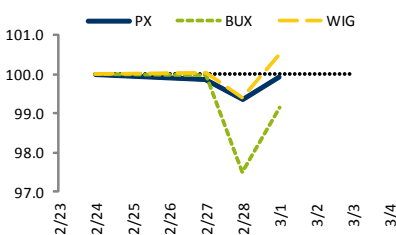
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	0.00
EURHUF	307.5	308.3	-0.26
EURPLN	4.296	4.307	-0.26

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.604	0.586	1.8
HUGB 10Y	3.45	3.42	0.9
PLGB 10Y	3.83	3.80	0.9

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	959.4	953.9	0.58
BUX	32610	32061	1.71
WIG	58960	58300	1.13

Macro, FX & Rates: The NBH still sounds dovish

(HU) Macro, rates: The National Bank of Hungary left base rate unchanged in line with the expectations and there was no change among unconventional tools either. The Council didn't focus on the effect of VAT cut (about we calculated that less than half spilled over into consumer prices), but it highlighted that the inflation may reach the inflation target of 3% Y/Y in 1H18. According to the Council there are still unused capacities in the economy, but we see slightly different it as there is huge pressure on the labor market (lack of skilled labour force) and are lack of capacities in some sectors like in construction.

The stance of the NBH statement is still slightly dovish, so we see slightly bigger chance for a modest further cut of maximum limit of 3-month deposit than no change, so we expect that the Council may moderate the limit of 3-month depo to HUF600bn from the current level of HUF750bn and the money pumping will be maintained in the coming months. The turning point might be when government starts to accelerate its spending which is rather expected for the second half of the year. Till that point the Bubor might remain quite subdued, followed by a gradual increase, but remaining around 0.5-0.6% in 2H17 as well. So the real interbank rates might remain well below the 0.9% base rate, the whole year and so no rate hike is expected till 4Q18.

Equities: Unipetrol gets another insurance compensation

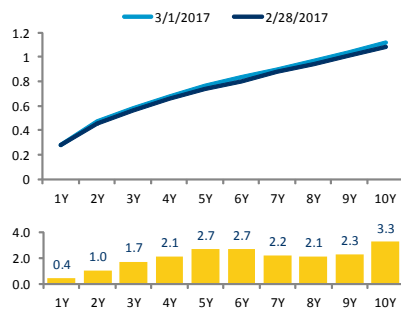
(CZ) Unipetrol received another insurance compensation at USD 40mIn (CZK 1bn) related to FCC unit accident at Kralupy. It is the first compensation linked to Kralupy unit that increases total amount received to CZK 8.9bn (CZK 7.9bn received in 2016 linked to Litvinov unit). This increases chances for dividend announcement (setting up official dividend policy) around mid of March when Company plans to publish its new strategy.

(CZ) CEZ/Utils: EU governments reached agreement on an emissions-trading overhaul that would bolster a special reserve to absorb surplus permits and boost prices of CO2 permits. The EU countries agreed to proceed on a reform of the European Trading System in emission allowances, stipulating 2.2% annual reduction in the number of allowances as of 2021, despite opposition from Poland and eight other EU states. The Market Stability Reserve, or MSR, would begin operating in 2019. At the end, it could help to boost prices of CO2 permits, which are currently trading close to their multi-year lows at around EUR 5-5.5/ton. Obviously positive news for "low emissions" producers such as CEZ and negative news for their polish peers (PGE, TPE, etc).

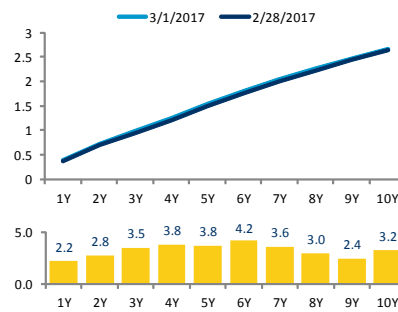
(PL) PGNiG will likely be charged the highest possible price for Russian gas this year that is near the upper end of the USD 180-190 price range for EU clients announced by Gazprom, the local daily speculates. The new range translates into a nearly 14% increase y/y, but arbitrary court with Gazprom is expected to be solved until Aug 17 (PGN wants the contract to be more market linked, if approved compensation is applied retrospectively). In 2019, there will be discussions with Gazprom over new contract and PGN wants to be as much flexible as can. PGN wants to offset at least part of the Gazprom's contract by Norwegian pipes and LNG terminals.

Interest-rate Swap Curves

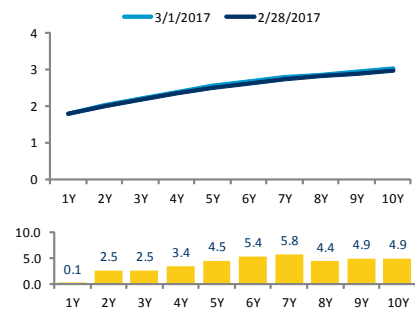
CZK *



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
HU	9:00	PMI manufacturing	02/01/2017					56.4		56.5	
PL	9:00	PMI manufacturing	02/01/2017			54.2		54.8		54.8	
CZ	9:30	PMI manufacturing	02/2017			57.6		56		55.7	
CZ	12:00	CZ bond auction 2017-20, 0.00%	CZK B 03/01/2017					5			
CZ	12:00	CZ bond auction 2014-25, 2.40%	CZK B 03/01/2017					4			
CZ	14:00	Budget balance	CZK B 02/01/2017							9.1	

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