

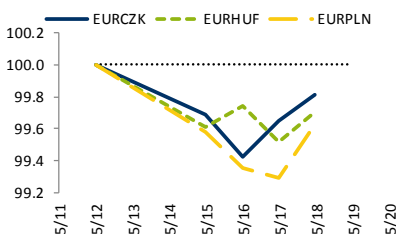


Central European Daily

Thursday, 18 May 2017

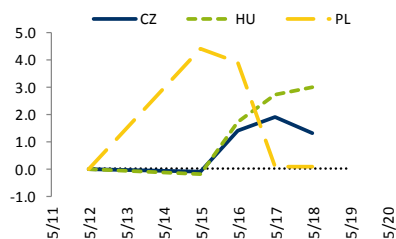
Regional Overview

Forex markets (index)



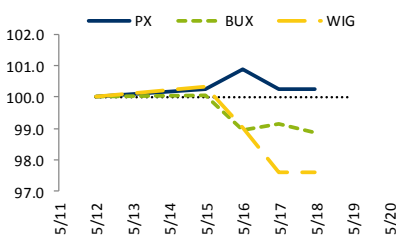
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.51	26.47	0.17
EURHUF	309.3	308.7	0.19
EURPLN	4.200	4.186	0.34

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.889	0.895	-0.6
HUGB 10Y	3.08	3.08	0.1
PLGB 10Y	3.30	3.30	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1020.6	1020.6	0.00
BUX	34049	34146	-0.29
WIG	60133	60133	0.00

Macro, FX & Rates: NBP Governor – no hikes until 2019

(PL) Rates: As expected the NBP meeting came with rather neutral or even slightly dovish outcome yesterday. The main message came from NBP Governor Glapinsky, who said that rate hikes would not be needed until the end of 2018. In this respect it is worth to add that the MPC statement was also very brief and neutral to slightly dovish. The Council still expect that “in the following quarters inflation will remain moderate amid fading effects of the past increase in global commodity prices, with only a gradual rise in domestic inflationary pressure stemming from improving domestic economic conditions. In consequence, the risk of inflation running persistently above the target in the medium term is limited”.

In our view the jury is still out in case of NBP rate hikes in 2018. Much will depend on the Fed and especially ECB's policy. If the Fed hiking cycle continues and the ECB starts to taper its bond buying programme the zloty might easily come under pressure and NBP's neutral (or even dovish) stance will not be warranted.

(CZ) Rates: CNB's Board members have started to communicate future developments of the official interest rates. While Bank Board member Benda sees a possibility of rate hike in 12-month horizon, his colleague Nidetzky indicated that a hike could already come in the second half of this year.

In our view, however, there is no rationale for quick CNB's rate hikes, when the ECB continue its policy of massive euro printing. The CNB is not in any way motivated to extend the interest rate differential and to encourage the koruna to quicker gains, despite the upside risks of the (growth) forecast. Moreover fast hikes would go hand-in-hand of the strengthening koruna, which can be seen as a tightening of the monetary conditions in the Czech Republic. Therefore, the fixed-income market will have to wait for an increase in official rates. We expect that there will be room for tightening of the Czech monetary policy sometimes next year (in June or during the summer), when the ECB may have already started to taper its unconventional policy.

Equities: CEZ's sale of Pocerady power plant likely

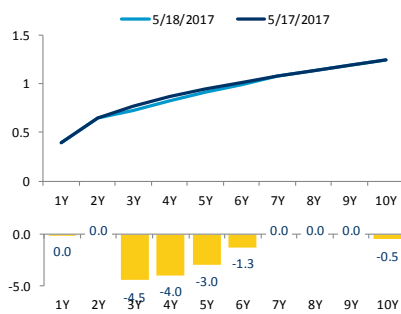
CEZ: CEZ's supervisory board will consider Czech Coal's offer today for Pocerady. Without Andrej Babis as the Minister of Finance, we see the sale of Pocerady power plant as more likely than a few weeks ago. It would boost dividend capacity by some CZK 5-8/shr.

CEZ: shortlisted 4 bidders for its Bulgarian assets.

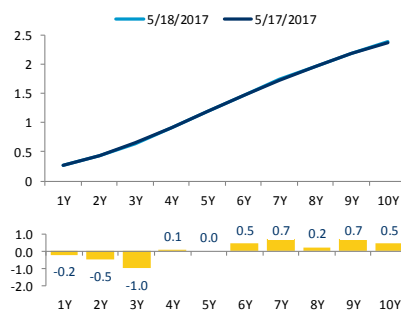
PGNiG will held Press Conference on the EC anti-monopoly proceedings against Gazprom today (starting at 12:00)/just

Interest-rate Swap Curves

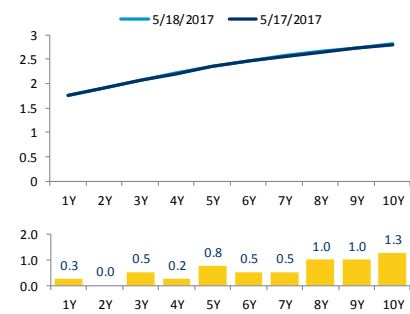
CZK *



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	9:00	PPI	%	04/01/2017			0.3	3.2	0	3	-0.1	3
PL	14:00	Wages	%	04/01/2017					-1.7	4.4	6.3	5.2

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