

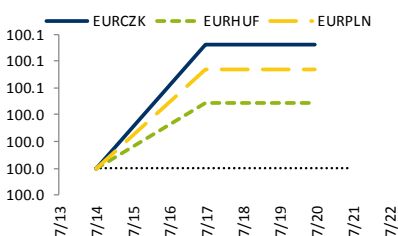


Central European Daily

Thursday, 20 July 2017

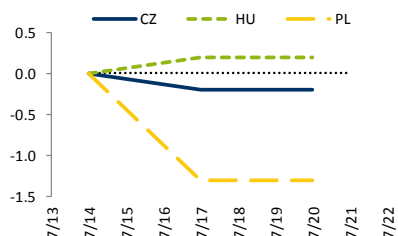
Regional Overview

Forex markets (index)



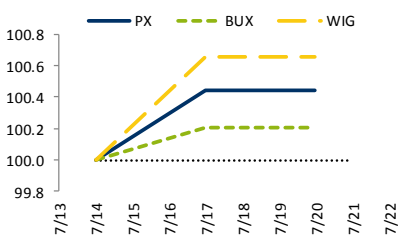
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.10	26.10	0.00
EURHUF	306.1	306.1	0.00
EURPLN	4.209	4.209	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.976	0.976	0.0
HUGB 10Y	3.06	3.06	0.0
PLGB 10Y	3.29	3.29	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1004.9	1004.9	0.00
BUX	35990	35990	0.00
WIG	62536	62536	0.00

Macro, FX, Rates: EU sends another warning to Poland

(PL) Politics: Poland was again warned by another EU official that the Union might trigger an Article 7 (of the Treaty), which allows the Commission to put sanctions on a country, which violates EU law. Frans Timmermans, the European Commission's top official, said yesterday the proposed law to allow Poland's government to replace Supreme Court judges would have a significant impact on judicial independence. Recall that currently, the Polish parliament has been debating the law proposed by governing party Law and Justice, which should bring a significant (personal) reform of the Polish Justice. Note that as a result of the reform a majority of Supreme Court's judges could be replaced by a decision of the simple majority in the Polish parliament.

We think that triggering of the Article 7 is unlikely, because Hungary and may be some other countries will not back such a proposal. Moreover, Polish president Duda (also Law and Justice) had also objections to the proposed law and he warned that he could not sign it.

Nevertheless we are afraid that if tensions between Poland and the EU continue to escalate, sooner or later the Commission will find the way how to put more pressure on the government in Warsaw (e.g. through by limiting EU funds inflows to Poland). This is a potential future political risk for the Polish zloty.

(PL) Macro: The Polish macro picture remains excellent. The rosy picture was confirmed by yesterday releases of retail sale and industrial output. While retail sales in real terms grew by almost 6% y/y in June, the industrial production jumped by 2.7% m/m and 4.5% y/y respectively.

As a result we might expect strong GDP readings for 2017Q2 (north of 4.0% y/y)

Equities: Coal miner JWS wants back a stake in Victoria

(PL) Coal: Poland wants the state-controlled listed coking coal miner JSW to buy back a partial stake in Victoria coking plant it sold less than a year ago for PLN 350 mln according to Polish press.

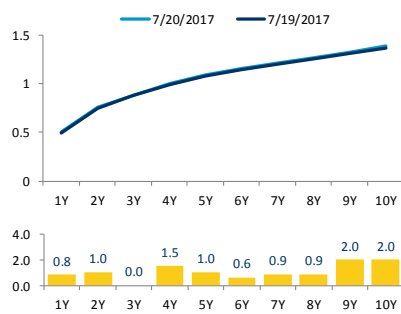
Victoria was bought by two state entities, the Development Ministry supervised ARP (a 34% stake) and the Energy Ministry supervised TF Silesia (a 58% stake). The Energy Ministry now wants JSW to buy out ARP, but JSW is reportedly lukewarm about the idea according to Polish press. Victoria's sale was enforced by JSW's liquidity problems, so the possibility of buyback was always there.

(PL) ENERGA: The Company reported solid 2Q17 preliminaries with EBITDA of PLN 535mn supported by PLN 47mn of one-off profit linked to purchase gain of stake in Polimex – Mostostal.

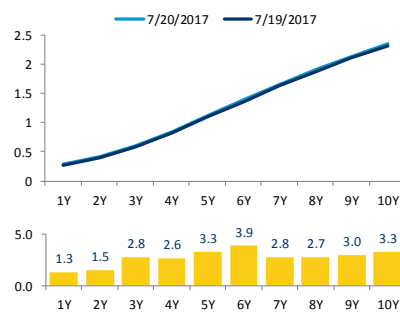
(PL) PGN: The Company reported solid operational numbers for 2Q17. / SLGHT POSITIVE. External sales in 2Q17 increased by 19.5% y/y to 5.63 bcm, while production decreased 3.7% y/y to 1.04 bcm.

Interest-rate Swap Curves

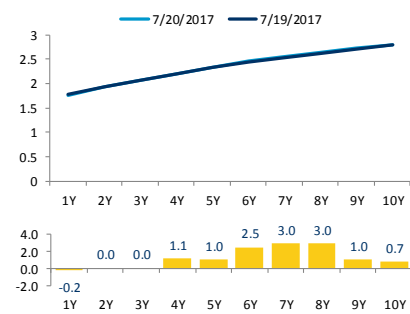
CZK *



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	Unit	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	%	06/01/2017					-0.3	1.7	-0.5	2.3
HU	9:00	Wages	%, ytd.	05/01/2017						14.2		14.6

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