

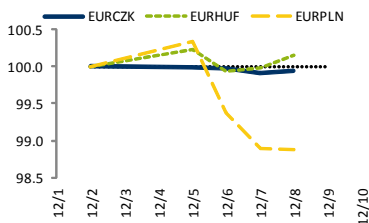


Central European Daily

Thursday, 08 December 2016

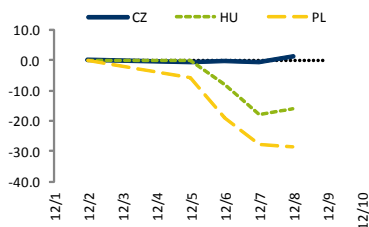
Regional Overview

Forex markets (index)



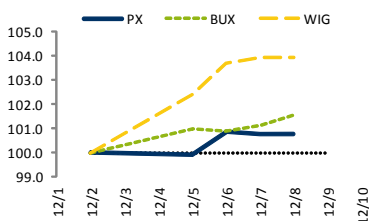
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.04	27.03	0.03
EURHUF	313.8	313.2	0.18
EURPLN	4.435	4.436	-0.02

Gov. bonds 10Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.523	0.505	1.8
HUGB 10Y	3.38	3.36	0.6
PLGB 10Y	3.53	3.54	-0.3

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	894.2	894.2	0.00
BUX	30279	30152	0.42
WIG	50380	50380	0.00

Macro, FX & Rates: the NBP firmly on hold

(PL, NBP policy): The meeting of the National Bank of Poland (NBP) sprang no surprises at all. As generally expected, the monetary policy was not changed. According to NBP Governor Glapinski, the current economic deceleration had been anticipated, but improved absorption of transfers from EU Structural Funds should speed the economy up again in the first half of next year. In response to growth, the NBP Governor also noted that real interest rates would go down in 2017 (and this may help the economy), because inflation will go up, and this of course implies stable interest rates. Regarding the possible chance of a rate cut by the NBP, the Governor stated that no member of the Monetary Policy Council was in favour of such an option any more. Finally, as concerns the evaluation of the depreciation of the zloty in the wake of the US presidential election, Governor Glapinski only said that this had been part of the story of depreciation of the other emerging market currencies, with the depreciation being good news for Polish exporters. Hence, yesterday's NBP meeting just reinforced our view that the Polish central will not change its policy any time soon.

(HU, Macro): The headline inflation continues to up in Hungary as consumer prices were 1.1% higher on average in November than a year earlier.

(CZ, Macro): The Czech labour market tightened further as the unemployment rate dropped to eight-month lows. According to the Czech statistical office the unemployment rate fell 4.9% in November, while there have been 135 thousands of vacancies in the Czech economy.

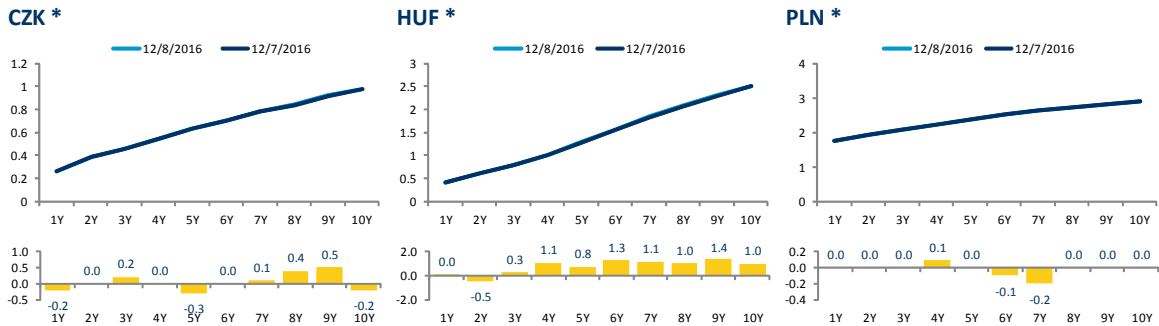
Equities

(PL) PKN: Fuel group PKN Orlen inked annex to a deal for fuel deliveries to its unit Unipetrol from Tatneft Europe, based on which Tatneft will deliver from 1.62 to 3.96mln tons of crude between January 1, 2017 and December 31, 2019, Orlen said in a market filing. **/NEUTRAL.** We see the deal as neutral for both PKN and Unipetrol as the possibility of diversified sources is positive in general, on the other hand, we do not expect the final price to be much different.

Weekly Preview

The Czech Republic's year-on-year inflation has returned to the central bank's tolerance band for the first time in almost three years. We estimate that November's consumer price index rose by 0.2%, mainly as a result of an increase in food prices. We cannot even rule out that some hotel and restaurant businesses raised their prices as part of their preparations for the electronic records of sales. Thus, given the low comparative baseline, the 0.2% will eventually raise year-on-year inflation from October's 0.8% to 1.4%, which will again exceed the CNB's forecast. And this should certainly not be the last strong inflation rise, because the turn of the year will see another inflation increase to the close vicinity of the central bank's target.

Interest-rate Swap Curves



* 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	Unemployment rate 15-64	%	11/01/2016	5		4.9		5		5	
HU	9:00	CPI	%	11/01/2016			0.1	1.1	0.1	1.2	0.6	1
HU	9:00	Trade balance	EUR M	10/2016 *P			891		808		1005	

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