



Central European Daily

Friday, 23 September 2016

Headlines

Forint hits 16-month high

On Thursday, the zloty and the forint drew further support from Fed's decision to keep interest rates unchanged. The forint strengthened sharply, hitting a sixteen-month high against the euro. Two recent positive news - last week's S&P surprising decision to improve the Hungarian rating and the stable US rates - obviously made some investors so far betting on forint's decline change their mind.

Regardless recent gains, the room for further significant appreciation of the forint and the zloty in the weeks ahead appears limited. Minutes from the last meeting of the National Bank of Poland (released yesterday) mention running debate about a possible rate cut. According to the minutes, "certain Council members suggested that the interest rate cut could be justified already in the following few quarters". For the time being, the call for a rate cut has been weak (identical quote could be found in the previous minutes, too) and we therefore keep our outlook (for stable rates) unchanged. On the other hand, comments like this can put a cap on zloty's exchange rate. Technically, the next support levels have been seen at EUR/PLN 4.26 and 4.23 (2016 high).

A similar scenario holds also for Hungary; further gains of the forint would likely spur central bankers to consider additional rate cuts (which are, in fact, to some extent already anticipated).

Currencies		% chng
EUR/CZK	27.00	-0.1
EUR/HUF	305.9	-0.7
EUR/PLN	4.28	-0.2
EUR/USD	1.12	0.2
EUR/CHF	1.09	-0.3

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.09	-0.02	0.06	-0.03
EUR/PLN		0.26	-0.25	0.05
EUR/HUF			0.05	0.22
EUR/USD				0.12

correlations of 30 min changes
over past 5 sessions

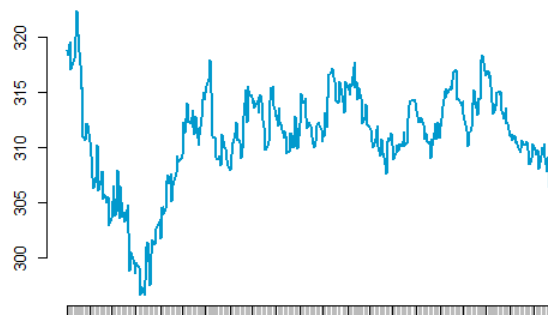
FRA 3x6	%	bps chng
CZK	0.28	0
HUF	0.69	-3
PLN	1.72	2
EUR	-0.31	1

GB	%	bps chng
Czech Rep. 10Y	0.28	-1
Hungary 10Y	2.82	-5
Poland 10Y	2.77	-9
Slovakia 10Y	0.36	-7

CDS 5Y	%	bps chng
Czech Rep.	39	-4
Hungary	122	-2
Poland	76	0
Slovakia	42	-2

Source: Reuters

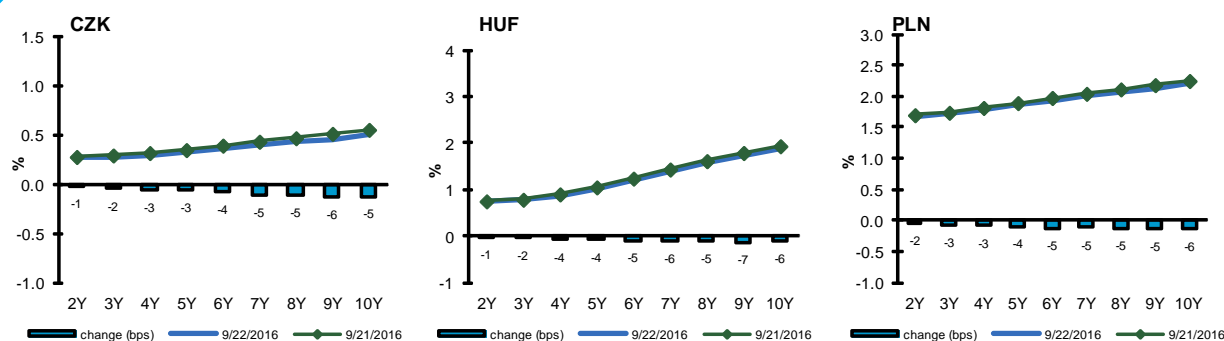
EUR/HUF



The forint hit a sixteen-month high against the euro on Friday.

Jan 02 2015 Jun 01 2015 Nov 02 2015 Apr 01 2016 Sep 01 2016

Interest-rate Swap Curves



Calendar

Country	Time	Indicator		Period	Forecast m/m y/y	Actual m/m y/y	Consensus m/m y/y	Previous m/m y/y
HU	8:30	Current account	HUF B	2Q/2016		1767		1740
PL	10:00	Unemployment rate	%	08/01/2016			8.5	8.6

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