

## CENTRAL EUROPEAN DAILY

# Headlines

### CE currencies barely changed after PMI data

### MNB dovish trio says inflation targeting has not been questioned

On Monday, Central European currencies saw a mixed trading. Whereas the forint slightly weakened, the koruna and the zloty posted small gains and regional currencies thus more or less ignored PMI figures for September released in early morning. However, as we already pointed out, we expect that weak Polish PMI further increased probability of the rate cut, which could be announced as early as tomorrow (two-day meeting of the National Bank of Poland starts today).

Meanwhile in Hungary, three of four dovish members of the Monetary Council (MC) of the Hungarian central bank (MNB) advocated recent rate cuts and strongly opposed allegations of “phantom change” in the monetary policy regime. The three members of MC (appointed by Mr. Orban) rejected accusations of abandoning three percent inflation target and said their view was closer to the alternative scenario which envisages a deeper slack in the economy and therefore allows for easier monetary conditions.

Although we agree that a slowdown in economic growth justifies rate cuts, we think that a more conservative approach (i.e., longer intervals between rate cuts) might be more suitable.

Currencies		% chng
EUR/CZK	25.08	-0.2
EUR/HUF	285.8	0.4
EUR/PLN	4.11	-0.1
EUR/USD	1.29	0.2
EUR/CHF	1.21	0.1

#### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.16	-0.13	0.07	-0.01
EUR/PLN		0.14	-0.30	-0.24
EUR/HUF			-0.41	-0.08
EUR/USD				0.41

correlations of 30 min changes  
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.54	4
HUF	6.20	-5
PLN	4.47	2
EUR	0.22	3

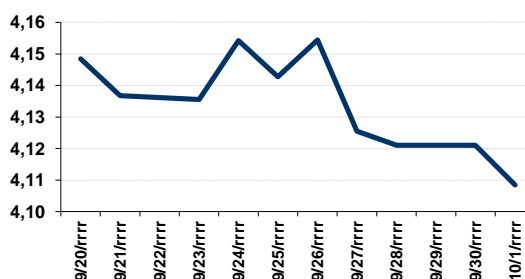
GB	%	bps chng
Czech Rep. 10Y	2.38	0
Hungary 10Y	7.43	7
Poland 10Y	4.71	1
Slovakia 8Y	2.74	3

CDS 5Y	%	bps chng
Czech Rep.	91	0
Hungary	375	-2
Poland	119	0
Slovakia	148	0

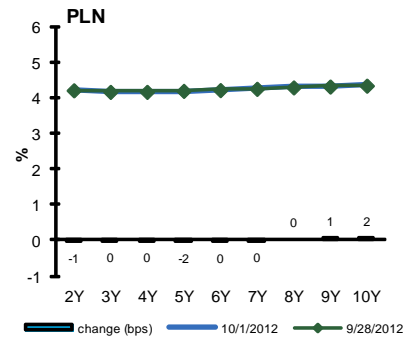
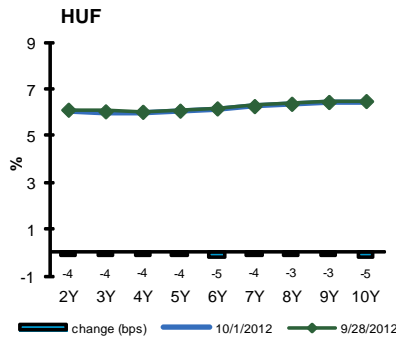
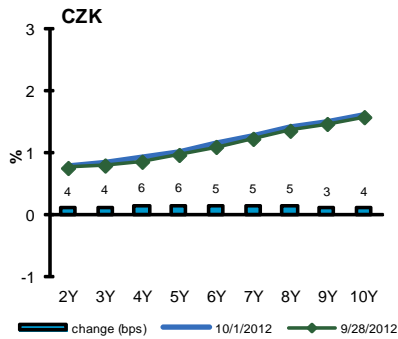
Source: Reuters

#### EUR/PLN



The Polish zloty slightly strengthened ahead of the NBP meeting.

# Interest-rate Swap Curves



# 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	Trade balance	EUR M 07/2012 *F			431				457.5	

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