



Friday, 05 October 2012

## CENTRAL EUROPEAN DAILY

### Headlines

Currencies		% chng
EUR/CZK	24.93	-0.4
EUR/HUF	284.6	-0.7
EUR/PLN	4.08	0.0
EUR/USD	1.30	0.9
EUR/CHF	1.21	0.0

#### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.16	0.01	-0.14	-0.12
EUR/PLN		0.08	-0.13	-0.27
EUR/HUF			-0.50	-0.13
EUR/USD				0.31

correlations of 30 min changes  
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.55	0
HUF	6.10	-8
PLN	4.53	2
EUR	0.19	1

GB	%	bps chng
Czech Rep. 10Y	2.31	-5
Hungary 10Y	7.51	2
Poland 10Y	4.72	-3
Slovakia 8Y	2.75	3

CDS 5Y	%	bps chng
Czech Rep.	87	0
Hungary	366	-1
Poland	110	0
Slovakia	146	0

Source: Reuters

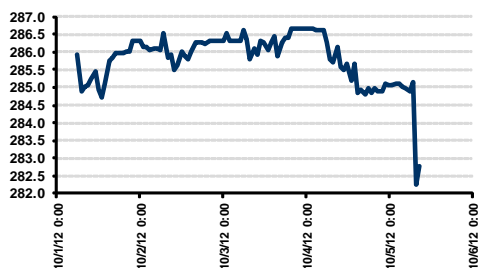
#### Hungary abandons the project of financial transaction tax

#### No consensus on FX interventions in the CNB

Hungary should abandon its plan to impose a financial transaction tax on transactions conducted by the central bank. Lower budget revenues should be at least partly offset by the tax on state treasury transactions and cash withdrawals from banks. Finance minister Gyorgy Matolcsy also expects extra revenues from improved tax collections and higher social security contributions by the rich. Overall, we consider this a step forward to the deal with the IMF as the MNB transaction tax was a key obstacle in talks with both IMF and EU. If the global sentiment remains positive, we may see EUR/HUF testing this year's lows at 274.50.

In the Czech Republic, the CNB minutes revealed that Kamil Jancek, a well known hawk, voted for a rate cut. Pavel Rezabek, a swing voter, joined Eva Zamrazilova this time and voted for interest rate stability. Sadly, there is not much new information on the discussion about alternative ways to ease monetary policy in the document. The minutes repeat that FX interventions against the Czech koruna are the preferable way, but restate that there is no consensus on the need for such measures now. Lack of details and missing consensus could help the koruna to regain part of the lost battleground in the upcoming sessions, provided the global sentiment remains positive.

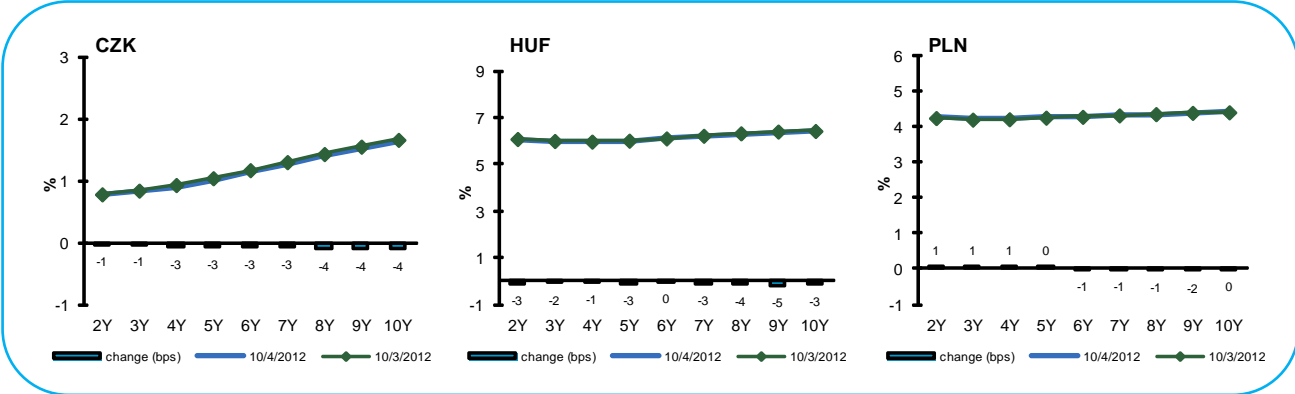
#### EUR/HUF



EUR/HUF, last 100 hours. Source: Reuters

*Hungarian forint stronger after transaction tax is scraped*

# 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
CZ	9:00	Retail sales	% 08/01/2012		-3		-0.8		-0.9		0.3
HU	9:00	Industrial output	% 08/2012 *P			2.6	1.4		-1.5		-1.2 -2.2
CZ	9:00	CNB minutes	10/2012								

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