



Tuesday, 09 October 2012

CENTRAL EUROPEAN DAILY

Headlines

Currencies		% chng
EUR/CZK	24.93	0.2
EUR/HUF	283.3	0.2
EUR/PLN	4.07	-0.1
EUR/USD	1.30	-0.5
EUR/CHF	1.21	-0.2

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.16	0.15	-0.23	-0.18
EUR/PLN		0.20	-0.07	-0.06
EUR/HUF			-0.27	-0.01
EUR/USD				0.36

correlations of 30 min changes
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.56	1
HUF	6.10	-10
PLN	4.52	3
EUR	0.19	0

GB	%	bps chng
Czech Rep. 10Y	2.35	-1
Hungary 10Y	7.32	-6
Poland 10Y	4.67	-1
Slovakia 8Y	2.70	-3

CDS 5Y	%	bps chng
Czech Rep.	85	0
Hungary	344	0
Poland	103	0
Slovakia	146	0

Source: Reuters

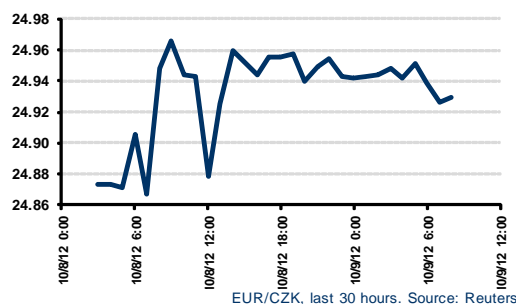
NBP's Glapinski stresses importance of the upcoming inflation report

Czech inflation for September in line with expectations

Whereas the forint and the koruna edged lower on Monday, the zloty closed barely changed in sight of the three week high although Adam Glapinski - NBP Monetary Policy Council member - said yesterday he might vote for a rate cut in November if the new inflation report confirmed deceleration of inflation on the ground of major economic slowdown. He thereby confirmed a statement from the latest meeting stressing importance of the new forecast. As we already noted, our scenario envisages two 25 bps rate cuts to 4.25 % taking place within the next three months.

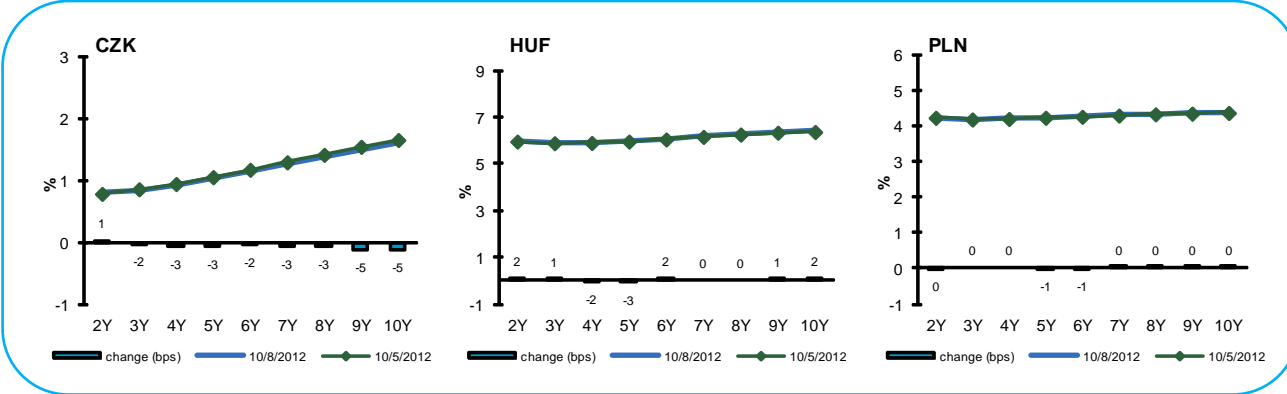
Meanwhile, the Czech koruna weakened after the release of August construction and industrial output data which fell short of expectations; the former fell by 4.7 % Y/Y while the latter shrank by 3.1 % Y/Y. Although construction has been on a downhill trend for four years, a sharp decline in industrial production was surprising, especially in light of relatively favourable figures on industrial orders that had been released in previous months. Regarding today's figure on CPI inflation in September, it was in line with market expectations as it showed a modest increase to 3.4 % Y/Y.

EUR/CZK



Weaker than expected macroeconomic figures weighed on the koruna on Monday.

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	CPI	% 09/01/2012	-0.1	3.4	-0.1	3.4	-0.1	3.4	-0.1	3.3
HU	9:00	Trade balance	EUR M 08/2012 *P			575.1		519.5		431	

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