



Central European Daily

Thursday, 07 February 2013

Headlines

Currencies		% chng
EUR/CZK	25.35	-1.0
EUR/HUF	294.3	0.1
EUR/PLN	4.18	0.0
EUR/USD	1.35	-0.4
EUR/CHF	1.23	-0.3

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.08	-0.03	0.00	0.14
EUR/PLN		0.43	-0.25	-0.06
EUR/HUF			-0.20	-0.13
EUR/USD				0.66

correlations of 30 min changes
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.49	0
HUF	5.01	2
PLN	3.60	9
EUR	0.32	0

GB	%	bps chng
Czech Rep. 10Y	2.01	1
Hungary 10Y	6.58	8
Poland 10Y	3.98	4
Slovakia 8Y	2.56	-1

CDS 5Y	%	bps chng
Czech Rep.	61	0
Hungary	298	0
Poland	92	0
Slovakia	90	0

Source: Reuters

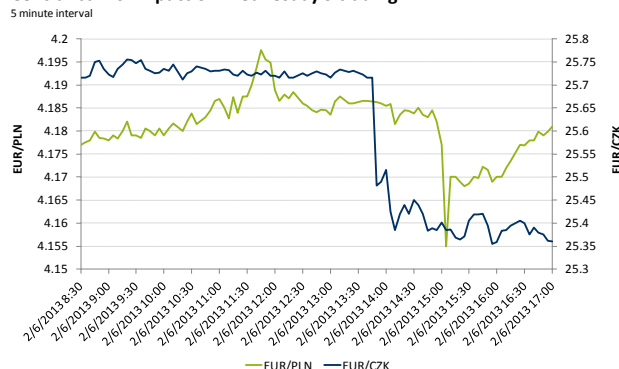
Koruna sky-rockets in record volume trading

NBP delivers rate cut and waits for new forecast

On Wednesday, after nearly a month of trading within a relatively narrow range between EUR/CZK 25.50 and 25.75, the Czech koruna left the band and strengthened to 25.35. The koruna soared after an eagerly awaited meeting of the Czech National Bank (CNB). CNB Governor Singer said at a news conference following the meeting that the CNB Board saw the risks of the inflation forecast as balanced and that the need for interventions against the koruna decreased. Let us recall that a significant part of the market had been betting against the koruna ahead of the meeting (earlier in the session, the EUR/CZK pair was seen even at 25.75 level). Regarding the new forecast, the most surprising item is an upward revision of the three-month Pribor rate (+30 bps in the 2013Q2). Along with the koruna's exchange rate currently in line with the central path of the CNB forecast, the revision explains both Singer's comments and supports our view that there is no significant reason for interventions against the CZK, at least in the short run. At this moment, the koruna is trading close to the 55 days average (25.37). Although additional strengthening cannot be ruled out (technically, the next support is at 25.25 - 200 days average) we do not believe it would be sustainable. If the koruna gained further, the CNB would probably launch a fresh round of verbal interventions as it foresees the average exchange rate in the current quarter at EUR/CZK 25.50.

Meanwhile, the National Bank of Poland (NBP) delivered a 25 bps rate cut as expected. The official statement said the central bank would pursue a wait-and-see policy and would base its next decisions on incoming data and their analysis. In line with our expectations, NBP President Belka provided almost no clues on future steps of the NBP. However, he assured the market that the NBP might decide to cut interest rates in March and added that the "informal bias" of the NBP remained dovish.

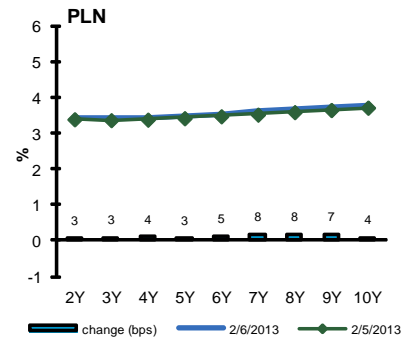
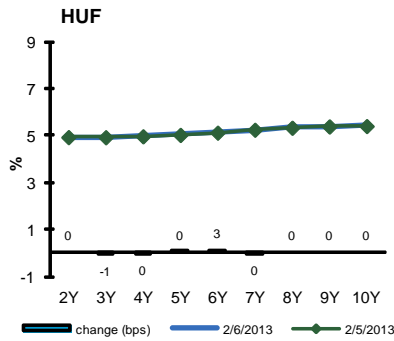
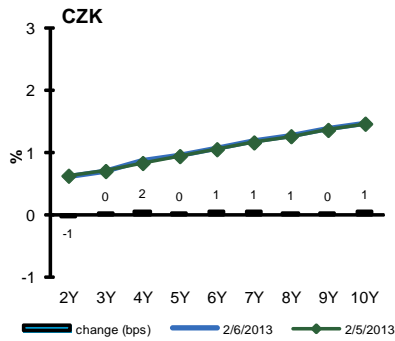
Central banks' impact on Wednesday's trading



Central banks' meetings drove the koruna and the zloty yesterday.

(Source: Thomson Reuters, CSOB)

Interest-rate Swap Curves



Calendar

Country	Time	Indicator	Unit	Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	9:00	Industrial output	%	12/2012 *P			-2.5	-3.4	-4.5	-0.1	-6.9	
HU	17:00	Budget balance	HUF B	01/01/2013								-607.5

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