



# Central European Daily

Friday, 15 February 2013

## Headlines

### Hungarian forint weakens on deepening contraction

### Polish inflation should further decelerate

The Hungarian forint fell and the 3-year bond yield dropped to a record low on disappointing GDP figures released yesterday. The dismal fourth quarter supports our opinion that further monetary easing is in the pipeline. We stick to our prediction of additional cuts totalling 100 bps in the course of the following 6 months.

In the Czech Republic, the CNB has published minutes from the last meeting of its Board. Most Board members were obviously satisfied with current exchange rate levels of the Czech currency. The consensus was that risks to the new forecast were broadly balanced and eased in both directions. The decision to leave the interest rates as well as other policy tools unchanged was unanimous.

Today, we are curious about Polish inflation figures. Poland's inflation likely continued to decelerate in January - prices were up by 2.2% y/y and 0.5% m/m according to our forecast. The month-on-month price increase was likely due primarily to food and soft drinks, the price of which might go up by 1.1%. By contrast, we anticipate a stagnating transport sub-index; petrol and diesel prices at filling stations have not yet fully absorbed a fairly rapid increase of fuel prices in Rotterdam in the second half of January. Year-on-year inflation is set to decelerate in the course of next months and conceivably even fall below 2% in March.

Currencies		% chng
EUR/CZK	25.35	0.0
EUR/HUF	291.4	0.5
EUR/PLN	4.18	0.6
EUR/USD	1.34	-0.7
EUR/CHF	1.23	-0.2

#### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.13	0.08	-0.15	-0.11
EUR/PLN		0.30	0.04	0.12
EUR/HUF			-0.02	0.06
EUR/USD				0.58

correlations of 30 min changes  
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.50	2
HUF	5.21	29
PLN	3.55	0
EUR	0.27	-3

GB	%	bps chng
Czech Rep. 10Y	2.06	-4
Hungary 10Y	6.40	0
Poland 10Y	4.08	1
Slovakia 8Y	2.56	-1

CDS 5Y	%	bps chng
Czech Rep.	59	0
Hungary	286	0
Poland	91	0
Slovakia	89	0

Source: Reuters

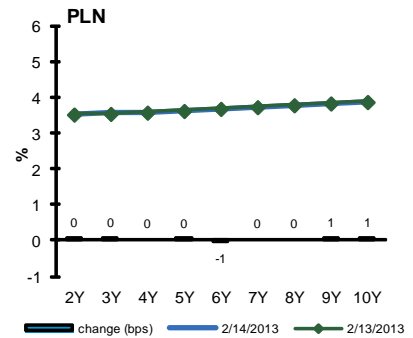
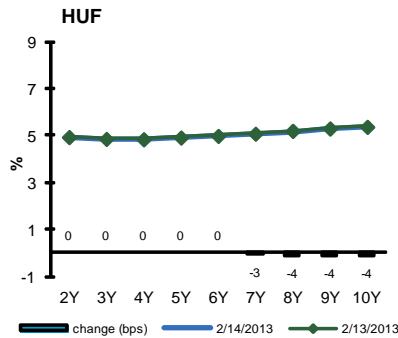
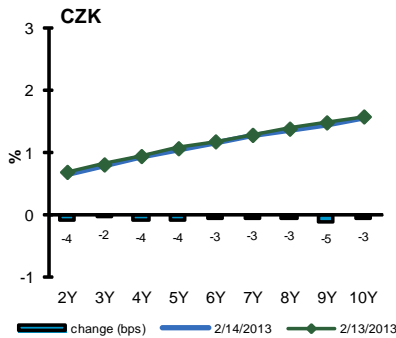
#### EUR/HUF



*Hungarian forint weakens on dismal GDP*

EUR/HUF, last 100 hours. Source: Reuters

# 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
PL	14:00	CPI	% 01/01/2013	0.5	2.2			0.3	2	0.1	2.4
PL	15:00	Budget balance	PLN M 01/01/2013								

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