CEE Research

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Fixed Income and Foreign Exchange

CEE Insights

- **Czech Republic:** Economy strong, unemployment falling
- **Hungary:** Timing of next rate move remains uncertain
- **Poland:** All eyes on next Sunday's landmark - parliamentary elections
- **Romania:** RON strengthened during week, due to rate hike expectations
- **Slovakia:** Holidays at car factories slowed production and deepened trade deficit

Overview

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Czech Republic:

- Economy strong, unemployment falling
- Tight labor market could mean inflation
- Demand inflation stagnant in September

Hungary:

- CPI inflation slowed to 6.4% y/y in September
- Timing of next rate move remains uncertain

Poland:

- All eyes on next Sunday's landmark - parliamentary elections
- Rich set of data out next week

Romania:

- RON strengthened during week, due to rate hike expectations
- Central bank surprised market by canceling regular depo auction

Slovakia:

- Government approved state budget
- Inflation picked up in September, due to base effects
- Holidays at car factories slowed production and deepened trade deficit

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Thursday's close		Current	w/w	m/m	ytd	Spreads vs. Euroland		
						current	- 1m	02/01/2007
Czech Republic	EUR/CZK	27.49	0.3%	0.3%	0.4%			
	3Y (yield bp)	3.95	1	0	74	-25	0	-66
	10Y (yield bp)	4.61	4	5	91	22	47	-23
Croatia	EUR/HRK	7.32	-0.3%	0.0%	0.4%			
	3Y (yield bp)	4.63	-4	11	9	41	55	66
	10Y (yield bp)	5.31	-2	1	n/a	94	120	n/a
Hungary	EUR/HUF	248.85	1.3%	2.3%	1.0%			
	3Y (yield bp)	6.93	-17	-17	-62	273	319	368
	10Y (yield bp)	6.60	-11	-16	23	221	267	276
Poland	EUR/PLN	3.72	1.2%	1.4%	2.9%			
	3Y (yield bp)	5.45	-1	1	80	125	153	78
	10Y (yield bp)	5.71	-1	-16	54	132	165	124
Romania	EUR/RON	3.33	1.2%	-0.4%	1.6%			
Slovakia	EUR/SKK	33.53	2.0%	0.2%	2.8%			
	3Y (yield bp)	4.54	0	11	16	34	48	50
	12Y (yield bp)	4.84	-1	13	53	48	61	38

Source: Reuters, Bloomberg (+ means strengthening / - means easing of the exchange rate)

Trading Ideas

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Positions

Position #	Date of opening	Instruments	Entry values	Today's values	flat P/L (%)	flat P/L inc. carry (%)	P/L p.a. inc. carry (%)	Target values	Target P/L flat inc. carry (%)	Target P/L p.a. (%)
12 short EUR/SKK	04/06/07	6m Bribid/ 6m Euribor	3,9/ 4,28%			0.7%	1.9%	32.8	3.2%	6.4%
		EUR/SKK	33.92	33.65	0.80%					

Rationale at inception

12) The Slovak koruna might soon become an attractive buy. While we do not rule out short-term weakening, we see these eventual dips into the 34.0-34.2 EUR/SKK range as a good opportunity to buy the Slovak currency, as we expect it to strengthen in the euro run-up. We advise profit taking at 32.8 EUR/SKK, as the previous ERM-2 band at 32.69 EUR/SKK could be defended by the central bank. The expected time horizon is six months.

Closed positions

#	Recommendation	opened	closed	P/L inc.carry
1	long: PLGB10y / 4m Euribor	16/09/2005	27/10/2005	-3%
2	short: CZGB15y / 6m PRIBID	16/09/2005	21/11/2005	5.97%
5	long: SKK/CZK	09/11/2005	20/01/2006	1.90%
3	short EUR/SKK	29/09/2005	07/02/2006	3.45%
4	EUR/PLN options	21/10/2005	28/07/2006	-2.69%
6	SKK/CZK long	23/03/2006	30/10/2006	2.16%
7	FRA 9*12 short	28/07/2006	08/11/2006	8bp
8	long HUGB 5y	13/10/2006	29/01/2006	5.70%
9	short CZGB/ long GDBR	09/01/2007	27/02/2007	1.80%
10	long CZK/EUR	27/02/2007	19/03/2007	2.30%
11	short CZGB/ long PLGB	07/03/2007	10/05/2007	5.5%
14	long SKKFRA 9x12, short EURF	16/07/2007	13/08/2007	30 bp
13	short EUR/CZK	07/06/2007	14/09/2007	3.0%

To be included in the trading ideas mailing list, please, mail to rainer.singer@erstebank.at, subject: trading ideas

Forecasts

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Capital markets forecasts

	Exchange Rate vs EUR												Intervention Rate					
	CZK	Forward	HRK	Forward	HUF	Forward	PLN	Forward	RON	Forward	SKK	Forward	CZ	HR	HU	PL	RO	SK
Spot	27.5		7.32		250		3.73		3.33		33.6		3.25	3.50	7.50	4.75	7.00	4.25
Dec-07	28.0	27.4	7.40	7.40	253	251	3.72	3.74	3.30	3.35	32.5	33.6	3.25	3.50	7.00	5.00	7.50	4.25
Mar-08	27.6	27.4	7.30	7.30	255	253	3.70	3.74	3.25	3.37	32.4	33.6	3.25	3.50	6.75	5.00	8.00	4.25
Jun-08	27.3	27.3	7.25	7.25	255	254	3.75	3.75	3.21	3.40	32.5	33.5	3.50	3.50	6.75	5.25	8.00	4.25
Sep-08	27.1	27.3	7.25	7.25	256	256	3.70	3.76	3.22	3.42	32.5	33.5	3.50	3.50	6.50	5.25	8.00	4.25

	3m Money Market Rate										10y Govt. Yield					5y Yield
	CZ	Forward	HU	Forward	PL	Forward	RO	Forward	SK	Forward	CZ	HR	HU	PL	SK	RO
Spot	3.54		7.43		5.09		7.69		4.32		4.61	5.31	6.60	5.72	4.76	7.15
Dec-07	3.30	3.64	7.00	7.15	5.20	5.19	7.60	8.59	4.30	4.40	4.55	5.20	6.30	5.65	4.70	7.3
Mar-08	3.40	3.65	6.80	6.76	5.30	5.29	8.20	7.89	4.30	4.47	4.80	5.10	6.00	5.70	4.80	7.4
Jun-08	3.55	3.76	6.70	6.58	5.40	5.34	8.20	5.92	4.30	4.52	4.90	5.10	5.90	5.76	4.80	7.4
Sep-08	3.60	3.91	6.60	6.52	5.57	5.37	7.70	7.16	4.30	4.63	4.80	5.20	5.80	5.85	4.80	7.25

Long-term forecasts

GDP growth (%)	2006	2007f	2008f	2009f
Czech Republic	6.4	5.4	4.1	4.8
Croatia	4.8	5.4	4.7	4.9
Hungary	3.9	2.2	3.0	3.9
Poland	6.2	6.5	5.5	6.0
Romania	7.7	6.0	6.1	6.0
Slovakia	8.3	8.9	7.2	5.3

CPI (%), eoy	2006	2007f	2008f	2009f
Czech Republic	2.5	3.9	4.9	3.2
Croatia	2.0	3.4	3.0	3.0
Hungary	6.5	6.1	3.6	2.3
Poland	1.4	2.7	2.9	2.7
Romania	4.9	5.7	4.1	3.9
Slovakia	4.2	2.8	3.3	3.5

C/A (%GDP)	2006	2007f	2008f	2009f
Czech Republic	-3.0	-3.5	-3.7	-2.8
Croatia	-7.8	-8.2	-7.9	-8.3
Hungary	-6.5	-4.9	-4.2	-3.9
Poland	-3.2	-4.1	-4.5	-4.9
Romania	-10.3	-13.7	-14.7	-14.7
Slovakia	-8.4	-3.8	-2.4	-1.9

Budget Balance (%GDP)	2006	2007f	2008f	2009f
Czech Republic	-3.3	-4.0	-3.3	-2.8
Croatia	-3.0	-2.6	-3.0	-3.0
Hungary	-9.2	-6.0	-4.2	-4.1
Poland	-3.9	-3.2	-3.5	-3.4
Romania	-1.6	-2.7	-2.7	-2.7
Slovakia	-3.4	-2.9	-2.4	-2.6

Diaries

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Looking ahead

Country	Date	Release/event/figures	Our expectation	Consensus*
Czech Republic	Oct-15	Current Account (August, CZK bn.)	-7.90	-9.00
	Oct-18	Retail Sales (August)	-8.0%	7.8%
Croatia	16-Oct	CPI	3.1% y/y	
Hungary	Oct-17	August Nominal wages	9.6% y/y	9% y/y
Poland	Oct-15	CPI Inflation (% y/y)	1.9%	1.9%
	Oct-15	Average wages (% y/y)	9.9%	10.7%
	Oct-15	Current account (EUR mn)	-1232	-960
	Oct-18	Industrial output (% y/y)	4.9%	6.3%
	Oct-18	PPI (% y/y)	2.1%	1.9%
	Oct-21	Parliamentary elections		
Romania	October 16	Current account deficit - August	EUR 1.3 billion	
Slovakia	Oct-16	HICP	1.7% y/y	-

**Sources: Bloomberg, Reuters*

Auction diary

Country	Code	Auction-date	Pay-date	Maturity	Cupon	Offer	Forecast
Czech Republic		Oct-18	Oct-19	18-Jan-2008		7	
Hungary		Oct-16	Oct-24	Jan-23-2008	-	HUF 30bn	7.35%
		Oct-17	Oct-24	Apr-09-2008	-	HUF 25bn	7.30%
		Oct-18	Oct-24	Oct-22-2008	-	HUF 35bn	7.15%
Poland		Oct-17	Oct-19	2012-Apr-25	5%	PLN 1.5-2.5bn	-
Romania		18-Oct-07	22-Oct-07	5Y	6.50	RON 100 million	7.00%
Slovakia		Oct-15	Oct-17	May-4-12	-	-	4.45%

Major markets

ZEW again lower

Euro government bond markets remained in a sideways range, on the back of diverging statements on monetary policy from ECB Council members and conflicting signals from the economic and inflation data. As the corporate bond market is in a trend of normalizing and only the money market still remains under stress, risk aversion is expected to decrease further and government bond yields should remain under upward pressure over the medium term. Next week, the focus will be on the ZEW Survey, due on Tuesday. After four consecutive drops, a further decrease is expected and would not surprise the market. HICP for Euroland will also be released on Tuesday and should be in line with the flash estimate of 2.1% in September. The driving forces are energy and food prices. The core index should remain stable at 1.9%, or increase slightly to 2%.

Indicators to confirm low growth outlook for US economy

After the release of last week's labor market data, the outlook for the US economy stabilized. Rightfully (in our view), the reaction on the bond markets was muted, as slow economic growth should prevail for some time and the risks remain on the downside. Today's retail sales should confirm the cautious stance of consumers, posting low growth vs. the previous month. Basically, the same can be said for industrial production, released on Tuesday. Other indicators point to sluggish development of the manufacturing sector as well. Inflation numbers (scheduled for the following day) should confirm the development seen in previous months. Given the uncertainty about the future path of the economy (due to the housing market), producers may have been especially cautious in raising prices. So, the risk to core inflation is on the downside, in our view. We expect range trading on the bond market during next week, with risk for yields on the downside, just as for the macro indicators. FX markets will likely focus on the upcoming G8 meeting towards the end of the week.

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Forecasts

	Intervention Rate		3m Money Market Rate				10y Govt. Yield		FX	
	EUL	**USA**	**EUL**	**Forwards**	**USA**	**Forwards**	**EUL**	**USA**	**EUR/USD**	**Forwards**
Spot	4.00	4.75	4.72		5.24		4.38	4.65	1.418	
Dec-07	4.25	4.50	4.35	4.73	4.60	5.17	4.40	4.60	1.40	1.420
Mar-08	4.25	4.25	4.30	4.53	4.30	4.89	4.70	4.60	1.36	1.421
Jun-08	4.25	4.00	4.30	4.50	4.30	4.73	4.70	4.70	1.33	1.422
Sep-08	4.25	4.00	4.30	4.28	4.20	4.60	4.70	4.70	1.33	1.423

Czech Republic

Economy strong, unemployment falling

Last week, we had data on CPI, the trade balance and unemployment. The overall message is unchanged - the economy is strong and unemployment is falling (by 1.6 percentage points y/y). The labor market thus remains one of the clearest inflation risks. Unions and employee associations are now about to finalize their agreements about wage growth next year - the largest union organization CMKOS views 7% y/y as a "pretty large minimum". Should there be higher growth of wages finally agreed upon (the tight labor market surely increases the bargaining power of the currently employed, as does the inadequate structure of those available), the risk to inflation and, consequently, to rate developments would increase.

Tight labor market could mean inflation

In a related announcement, industrial production slowed in August (to a seasonally-adjusted 6.6%), on the back of the higher number of establishments with factory vacations in August. More worrisome, however, is the tendency of nominal wage growth to exceed growth of productivity. This is an indication that the tightness of the labor market is threatening to translate into inflation, a development that the CNB will certainly be keen to prevent.

Demand inflation stagnant in September

As for the CPI, the picture we have grown accustomed to over the last few months repeated itself. Most of the headline increase is attributable to all other factors but demand-driven ones. In September, this was prices of vacation packages (linked with changes to the consumer basket) and deregulated rents. The so-called demand inflation stagnated in September (from the beginning of the year); there is not a significant upward trend. This is the reason why the Czech National Bank changed its rhetoric and now sees the demand inflation as a disinflationary risk. We expect inflation to close the year above 3.5%, but due to prices of gas, oil and food.

Next week, we will have retail sales (our expectation: 8.0%) and the current account (CZK -7.9bn), neither of which should have any significant impact on the markets. Retail sales will be strong, on the back of solid consumer demand. The current account is subject to annual seasonality. The 12M trade balance last week topped CZK 68bn; we expect CZK 70bn for the year. The stronger CZK will limit the improvement of exports.

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Hungary

CPI inflation slowed to 6.4% y/y in September

The 12-month CPI inflation rate slowed sharply to 6.4% in September (from the 8.3% published for August). However, this spectacular change in the ninth month of the year was basically due to a base effect. Please note that, last September, consumer prices rose 2.5% m/m (and the 12-month rate jumped to 5.9% y/y, from 3.5% y/y), due to the unfavorable effects of the VAT increase and hikes of administrative prices, as the government's austerity measures started to be implemented. The base effect also played some part in the slowdown of the core inflation (to 4.3% y/y, from 5.4% in August). However, monthly indexes in both the headline and the core category are seen as high (0.7% and 0.6%, respectively). Food prices jumped by 2.2% m/m in September, representing the main driver of the monthly inflation, and the unfavorable processes in this field do not seem to be coming to an end yet. Instead, the continuing sharp acceleration in food prices poses the main risk for domestic inflation prospects. Thus, the 12-month CPI index is highly unlikely to drop below 6% this year. In my estimate, CPI should stand at 6.1% y/y in December, then drop to 5.5-6% in January 2008. Apart from the food factor, uncertainties surrounding the price changes in utilities and regulatory services, as well as the wage formation in the private sector, all make it even harder to predict the 2008 inflation. One thing seems sure - due to another supply-side price shock, the central bank is unlikely to see its inflation goal of 3% reached in 2008. We see a greater chance for this only in 2009.

Timing of next rate move remains uncertain

The forint has been slowly strengthening this week, due largely to the positive regional mood. Although investors eagerly waited for September CPI figures in the first half of the week, the actual figures have not particularly affected market processes. The timing of the next rate move remains uncertain and even the Minutes of the September 24 monetary meeting (due this afternoon) are not expected to clear up the picture. At least one 25bp rate reduction may be carried out by the end of December, as food price shocks should not be the main factor in the monetary policy decisions. Core inflation and inflation of market services slowed down in September. These could support a rate cut, but the Monetary Council may again take a more cautious stance. Summarizing the rate outlook, we can imagine that a 25bp rate reduction will be carried out at the October meeting, given the further improvement in the global market environment and at least neutral private sector wage figures next Wednesday. (The August wage data will be published next Wednesday; "neutral" in this case means no further acceleration in private sector regular y/y wage growth). In the case that a 25bp rate reduction fails to materialize this month, only one rate cut should take place this year, with the base rate standing at 7.25% at the end of December.

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Poland

All eyes on next Sunday's landmark - parliamentary elections

The crucial domestic event of the coming week, which will set the further course for economic and political development, is the early elections for Parliament. Opinion polls offer only blurry indications of what kind of government will emerge. A lot will depend on how many parties finally make it into Parliament and the strength of PiS' position. For a long time, it seemed that only the three biggest parties (PiS, CP and LiD) would make it into the new Parliament. However, recent readings also give chances for the Peasants' Party (PLS). Be that as it may, the political scene will become less fragmented than now, which we judge as a positive outcome. From the market's perspective, the most appealing election result would be a cabinet that includes Civic Platform (CP), as the party prefers euro adoption and is more reform-oriented than the outgoing government (among other things, it prefers flat tax and privatization). As CP has a greater coalition potential than PiS (which has ruled out cooperation with the ex-communist LiD), we think that a government including CP is also the most probable scenario. However, when speaking of implications, a lot will depend on the strength of PiS. While we do not exclude the possibility of a grand coalition of PiS-CP, should PiS end up in the opposition, it could significantly complicate and even block the functioning of the coalition. The reason is that the post of president is held by one of the Kaczynski twins; in the case he opts to veto a law put forward by a coalition, Parliament would need a three-fifths majority to overturn the veto. Therefore, a CP-led coalition with PiS in the opposition (holding at least two-fifths of seats) would bear only neutral implications. Polish assets could be influenced negatively if the elections ended with an inconclusive result and a prolonged period of political negotiations and uncertainty (e.g. if PiS were to win and have difficulty finding coalition partners). In our prognosis for the zloty and bonds, we rely on a merely neutral outcome of the elections (a continuation of the present policy without a more ambitious economic program and the absence of effort towards more pronounced fiscal consolidation). Should the elections surprise in a pleasant way, we would revise our prediction for the zloty towards a stronger level and adjust our forecasted spreads on Polish government bonds lower.

Rich set of data out next week

After two weeks of silence, there will be a spree of interesting macro data next week. The most important pieces from the viewpoint of monetary policy will come out right on Monday. We are slightly more optimistic than the Finance Ministry and predict that inflation will grow merely to 1.9%, from the 1.5% seen in August (vs. the MinFin's estimate of 2.0%). The main reason behind the pickup in price dynamics will be food prices, acceleration of yearly growth within fuels and a slight pickup in the net core inflation component. The dynamics of wages should decelerate to just under the 10%

threshold. However, this will be a number high enough to still evoke concerns about a possible adverse impact on inflation. The current account deficit should have increased on the last-twelve-months basis in August. Ballooning domestic demand is keeping imports relatively high, which contributes to the widening of the trade gap in comparison to the previous year. However, the August deficit will be lower than a month ago, when higher oil prices also supported imports. Industrial output (to be released on Thursday) will slow down visibly, on the back of working day effects, and will again remind markets that productivity is not keeping pace with wage dynamics.

The past few days have been favorable for both the currency and fixed income market. Amid revived risk appetite and a conducive atmosphere in the region, the zloty cracked important psychological thresholds and rallied to a near-5.5-year high (it was quoted at 3.7166 this morning). Also, the risk premium on Polish bonds against their peers in the Eurozone contracted across the whole curve by 2-10 basis points over the week. We see only limited space for a further bond rally, as the data to be released next week should confirm that the monetary policy tightening cycle will continue. Depending on the election outcome and regional sentiment, the zloty could move into yet stronger territory.

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Romania

RON strengthened during week, due to rate hike expectations

The local currency was quoted at 3.35 at the beginning of the week and within the 3.34-3.36 range until Tuesday, amid modest transacted volumes. On Wednesday, the silent trading turned into a great buzz, as inflation came out much higher than expected, for the second time in a row. September figures produced a great surprise, as the monthly inflation rate rose by 1.1%, pushing headline inflation up to 6.0%, considerably above the NBR's target of 4.0% ±1%. After the CPI data was released, other players rushed into the market to purchase the leu, as the market shaped up expectations for a rate hike at the next policy meeting on October 31. The hard euro selling propelled the leu to a 1M high. The exchange rate reached the 3.31 zone around noon, but the RON could not maintain its gains and bids gradually rose to the 3.33 zone. The impact of the higher than expected inflation was short-lived, as the market realized that Romania's economic fundamentals had not improved (in fact, the opposite was true). Therefore, players with higher risk appetite opened new positions on the leu, while others preferred to close their positions the very same day, taking profit. On Thursday, the domestic currency seemed to have found some stability, being traded in a narrow range of 3.33-3.34. We expect the RON to be traded in the 3.32-3.37 zone next week, as the current account figures will be released at the beginning of the week and some players might turn dovish regarding Romania. A rebound of short-term interest rates might offer support for the leu, as the interest rate differentials remained positive.

Central bank surprised market by canceling regular depo auction

On Monday, the NBR surprised the market when it canceled its regular 2-week tenor deposit auction, although they had committed to exerting firm control over the liquidity of the domestic money market in their last statement (accompanying the monetary policy meeting). The NBR refused to sterilize the excess liquidity in the market, although a deposit worth RON 4.8bn had expired on September 8. Therefore, the overnight interest rates decreased slightly compared to last week's levels, after the market realized that there would be no auction. The ON maturities were quoted in the 6.4/7.2% area, as the market was expecting the 3M CD auction to place their extra liquidities. However, this scenario failed as well, as the NBR rejected all bids at the CD auction, as the overall offer of the banks did not meet the indicative amount announced by the NBR, ± 25%. On October 11, the central bank intended to drain RON 1bn through its 3M maturity CDs, but only six commercial banks placed bids at the auction, totaling RON 0.6bn. It is likely that commercial banks preferred to keep their liquidities on hand for their credit portfolios. Another reason may have been the expectations regarding key rate hikes. After the results of the CD auction were published, the short-term interest rates dropped to 5.8/6.8%. It is likely that the NBR will hold a deposit auction on Monday to reposition interbank interest rates within proximity of the key rate. However, we do not rule out another refusal by the NBR to sterilize the excess liquidity, although the current inflation outlook (+6.0% y/y) requires a restrictive monetary policy.

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Slovakia

Government approved state budget

The Slovak government approved the budget for 2008. The fiscal shortfall is projected to reach 2.3% of GDP, in line with the requirements for Eurozone entry (incorporating a necessary reduction of the deficit by 0.5pp from the previous year, which was budgeted at 2.9% of GDP). The figure also includes one-off pension reform costs at 1.2% of GDP. The budget proposal still has to be approved by the Parliament (the vote is expected in late November or early December).

Inflation picked up in September, due to base effects

Inflation picked up from the 2.3% seen in August to 2.8% y/y in September, in line with our expectations and slightly above the market consensus (2.7% y/y). The acceleration of inflation was mainly due to base effects (last year in September, prices of telecom services dropped, due to a temporary offer from a fixed-line operator). The monthly gain of 0.2% was due to higher prices of food, healthcare and education. Food prices grew by 1.0% m/m, more than we expected. However, we see moderation of the price growth in the months ahead. Demand inflation pressures remained muted. CPI ex volatile food and fuels and imputed rents (our preferred proxy for demand inflation pressures) stayed at 1.2% y/y in September. September HICP growth (to be released next Tuesday) could reach 1.7% y/y (compared to our earlier forecast of 1.6%), due to the different composition of food within the HICP basket. We regard the release as neutral for monetary policy. The central bank will likely maintain its cautious stance and leave the headline interest rate unchanged at 4.25%.

Holidays at car factories slowed production and deepened trade deficit

Industrial production growth slowed down in August to 5.7% y/y, a decline from July's extraordinary growth of 17.3% (a temporary increase in mining of energy-producing materials stood behind the July rise). Next to that, summer holidays at car factories slowed down car production in August, which increased by "only" 12.4% y/y, after 50% y/y in July. As holidays at car factories should not repeat in September, we expect industrial production to return to double-digit growth. Foreign trade mimicked the lower industrial production, posting a deficit of SKK 7.6bn, worse than our and market expectations (of an SKK 3.2bn deficit). However, due to a methodology change (related to electricity), the Statistical Office significantly revised the previous data for the better. As a result, the foreign trade deficit for 2006 was revised from SKK 93bn to SKK 75bn (the GDP statistics should be revised upward later, possibly meaning a lower fiscal deficit compared to GDP). The YTD foreign deficit in 2007 was also revised for the better. On a 12M basis, the revised deficit reached 2.8% of GDP compared to previously published 3.5% of GDP.

The koruna returned to its appreciation path last Friday and maintained the gains throughout this week (trading at 33.60 EUR/SKK this morning, up from the 34.20 seen last week). The markets seem to be regaining optimism regarding the chances that Slovakia will fulfill all Maastricht criteria on time, including the fiscal deficit (the official Eurostat revision is still not known, but is estimated by the MinFin at 0.2-0.3% of GDP). Markets will watch next week for any further news regarding the revisions. HICP data should not bring much excitement, as the national CPI was already released.

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Appendix Charts

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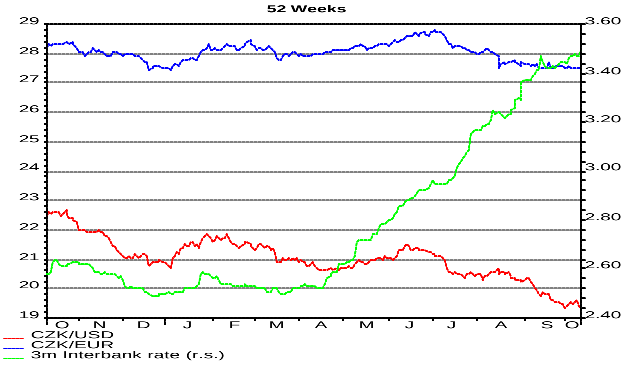
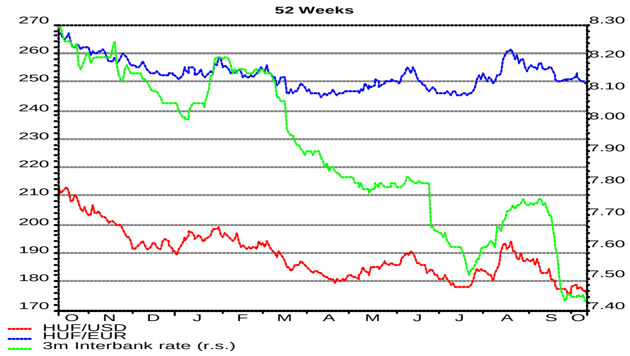
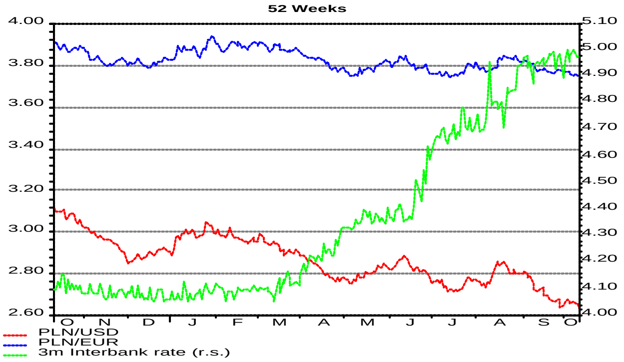
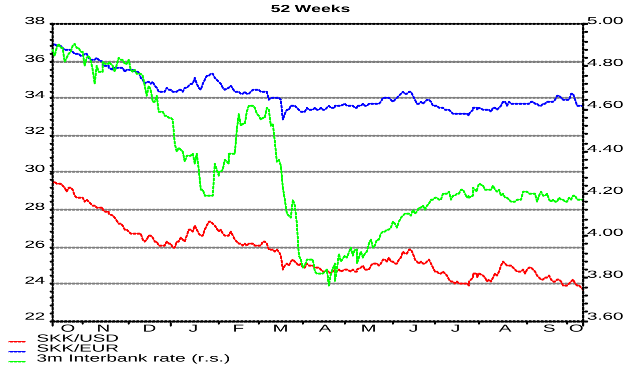
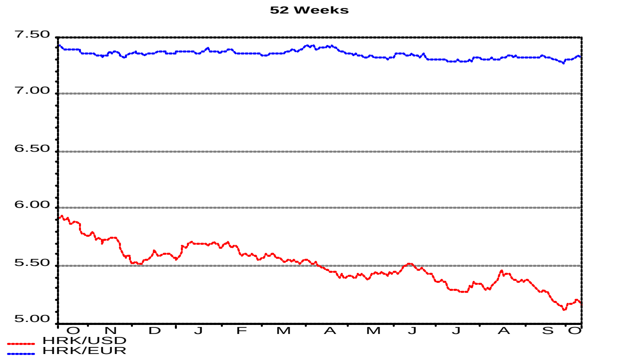
Exchange rates and interest rates (52 weeks)

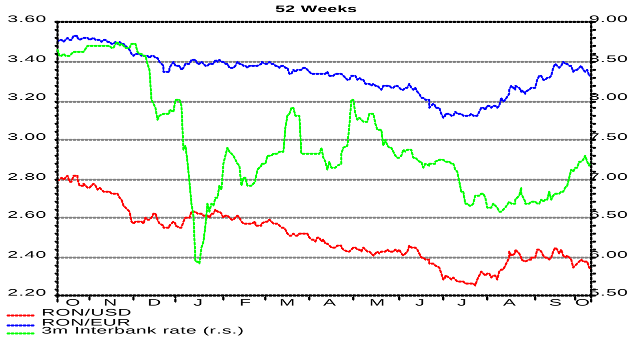








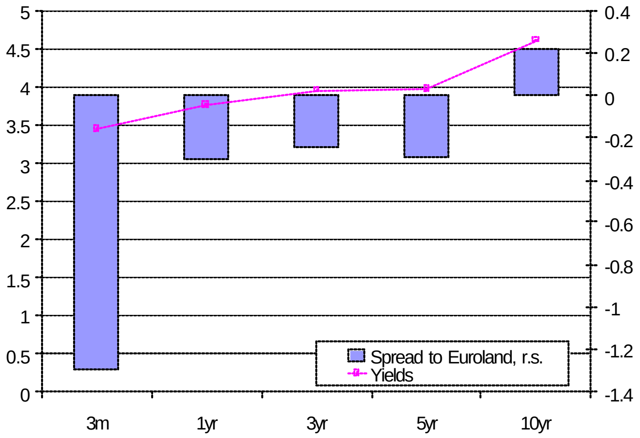




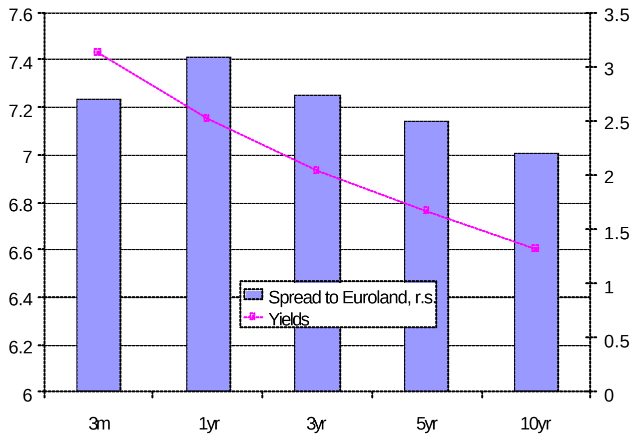
Source: Datastream

Benchmarks

Czech Republic



Hungary



Appendix Forwards

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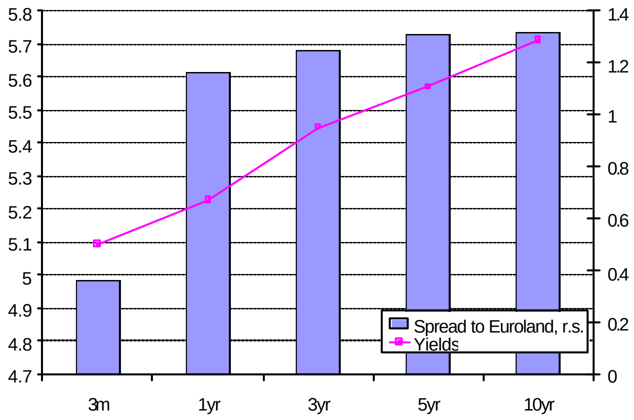
Poland



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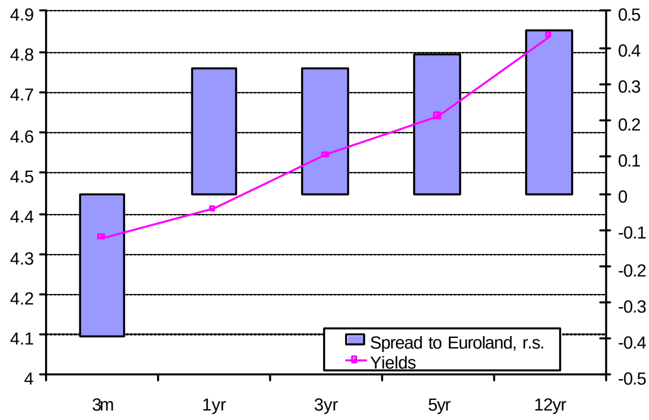

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