CEE Research

November 23, 2007

Fixed Income and Foreign Exchange

CEE Insights

- **Czech Republic:** CZK reached record high against USD
- **Hungary:** Central bank is to keep base rate on hold
- **Poland:** CB to tighten monetary policy gear next week
- **Romania:** RON fell to two-year low against EUR
- **Slovakia:** Coalition tensions intensify

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Overview

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Czech Republic:

- Sale of 50Y bonds underwhelming
- CZK reached record high against USD
- CNB rate setting meeting next week

Hungary:

- Central bank is to keep base rate on hold
- Forint on weakening path

Poland:

- CB to tighten monetary policy gear next week
- 25bp hike would not surprise markets; GDP data to be watched at end of week

Romania:

- 3Q GDP figures to be released next week
- RON fell to two-year low against EUR
- MinFin started to pay higher yields

Slovakia:

- Coalition tensions intensify
- Some risks to Eurozone entry, but cross-party support for euro limits them
- Koruna weakened, alongside region
- NBS to keep rates stable on Tuesday

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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	26.74	-0.5%	1.6%	3.3%			
	3Y (yield bp)	4.19	-2	0	97	49	-17	-66
	10Y (yield bp)	4.55	-2	4	85	53	32	-23
Croatia	EUR/HRK	7.33	0.2%	0.0%	0.2%			
	3Y (yield bp)	5.61	82	107	107	185	49	66
	10Y (yield bp)	5.48	31	26	n/a	145	103	n/a
Hungary	EUR/HUF	256.75	-1.0%	-2.0%	-2.1%			
	3Y (yield bp)	7.29	14	44	-26	359	281	368
	10Y (yield bp)	6.88	24	35	59	285	233	276
Poland	EUR/PLN	3.69	-0.7%	-0.7%	3.9%			
	3Y (yield bp)	6.04	18	56	139	234	144	78
	10Y (yield bp)	5.84	12	35	67	181	134	124
Romania	EUR/RON	3.64	-4.8%	-7.4%	-7.0%			
Slovakia	EUR/SKK	33.59	-1.6%	-0.3%	2.6%			
	3Y (yield bp)	4.52	0	-1	14	78	47	50
	12Y (yield bp)	4.81	0	-4	50	80	64	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 EUR/SKK	3.9/ 4.28% 33.92	33.61	0.92%	0.7%	1.6%	32.8	3.2%	6.4%

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%
15	Short EUR/RON	23/10/2007	21/11/2007	-4.9%

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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	26.8		7.34		258		3.69		3.59		33.7		3.25	3.50	7.50	4.75	7.50	4.25
Dec-07	27.0	26.8	7.40	7.40	255	258	3.60	3.70	3.50	3.61	32.5	33.7	3.25	3.50	7.50	5.00	7.50	4.25
Mar-08	27.2	26.7	7.30	7.30	255	260	3.55	3.70	3.45	3.64	32.4	33.7	3.50	3.50	7.25	5.25	8.00	4.25
Jun-08	27.1	26.7	7.25	7.25	255	262	3.60	3.72	3.40	3.67	32.5	33.7	3.50	3.50	7.00	5.50	8.00	4.25
Sep-08	26.5	26.7	7.25	7.25	256	265	3.55	3.74	3.35	3.70	32.5	33.6	3.50	3.50	6.75	5.50	7.50	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	3.73		7.43		5.43		8.12		4.35		4.55	5.48	6.93	5.85	4.72	8.10
Dec-07	3.30	3.82	7.40	7.52	5.25	5.62	7.80	8.30	4.30	4.36	4.55	5.20	6.60	5.70	4.70	7.40
Mar-08	3.40	3.91	7.20	7.29	5.60	5.93	8.20	7.96	4.30	4.43	4.80	5.10	6.50	5.65	4.80	7.50
Jun-08	3.55	4.00	6.95	7.08	5.70	6.05	8.20	6.19	4.35	4.47	4.90	5.10	6.10	5.60	4.80	7.50
Sep-08	3.60	4.11	6.70	7.02	5.70	6.07	7.70	7.22	4.35	4.56	4.80	5.20	6.00	5.55	4.80	7.40

Long-term forecasts

GDP growth (%)	**2006**	**2007e**	**2008f**	**2009f**
Czech Republic	6.4	5.9	4.3	5.4
Croatia	4.8	5.9	4.7	4.9
Hungary	3.9	1.7	2.5	3.5
Poland	6.2	6.5	5.5	5.8
Romania	7.7	5.7	6.1	6.0
Slovakia	8.3	8.9	7.2	5.3

C/A (%GDP)	**2006**	**2007e**	**2008f**	**2009f**
Czech Republic	-3.0	-3.4	-4.0	-3.4
Croatia	-7.8	-8.1	-8.0	-8.3
Hungary	-6.5	-5.0	-4.4	-3.9
Poland	-3.2	-4.1	-4.5	-4.9
Romania	-10.3	-13.7	-14.7	-14.7
Slovakia	-7.3	-3.4	-2.4	-1.9

CPI (%), eoy	**2006**	**2007e**	**2008f**	**2009f**
Czech Republic	2.5	4.0	5.1	3.2
Croatia	2.0	4.0	3.0	3.0
Hungary	6.5	6.9	3.9	2.3
Poland	1.4	3.4	3.0	2.7
Romania	4.9	6.1	4.8	4.2
Slovakia	4.2	3.0	3.5	3.5

Budget Balance (%GDP)	**2006**	**2007e**	**2008f**	**2009f**
Czech Republic	-3.3	-3.9	-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	-3.4	-3.1
Romania	-1.6	-2.7	-2.4	-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	Nov-29	CB rate-setting meeting	no change (3.25%)	3.50%
Croatia	30-Nov	Trade balance	€ -825mn	
Hungary	Nov-26	NBH rate-setting meeting	no change (7.50%)	no change (7.50%)
	Nov-29	3Q07 Investments	-	-
	Nov-30	October PPI	-1.4% y/y	-
Poland	Nov-26	Retail sales (% y/y)	17.2%	15.3%
	Nov-28	CB rate-setting meeting	+25bp (5.00%)	+25bp (5.00%)
	Nov-30	real GDP (% y/y) -first estimate	6.1%	6.0%
Romania	Nov-30	GDP (Q3 07/Q3 06 real growth)	5.0%	5.1%
Slovakia	Nov-27	CB policy rate	no change (4.25%)	no change
	Nov-28	October PPI	0.2% m/m, 1.7% y/y	1.8% y/y

**Sources: Bloomberg, Reuters*

Auction diary

Country	Code	Auction-date	Pay-date	Maturity	Cupon	Offer	Forecast
Czech Republic		Nov-29	Nov-30	Nov-28-2008		CZK 5 bn.	
Hungary		Nov-26	Nov-28	Dec-27-2007	-	HUF 40bn	7.40%
		Nov-27	Dec-05	March-05-2008	-	HUF 45bn	7.35%
		Nov-28	Dec-05	June-04-2008	-	HUF 30bn	7.30%
		Nov-29	Dec-05	Oct-22-2008	-	HUF 45bn	7.30%
Poland		No auction scheduled					
Romania		No auction scheduled					
Slovakia		Nov-26	Nov-28	May-10-26	4.5%	-	4.85%

Major markets

Sentiment indicators in focus

Government bonds remained well supported by a wave of risk aversion stemming from negative news flow on the sub-prime crisis, a further plunge in the EUR/USD rate and a new high in the oil price. The yield curve steepened significantly and the yield differential of US Treasuries to Euro 10-year government bonds disappeared. Last week's positive GDP data for the third quarter was ignored as backward-looking and concern is growing that a recession in the US could occur and have a strongly negative impact on world growth. At the moment, the whole government bond yield curve seems way too low and does not bear value. However, in the short term, government bonds could remain supported by the search for safe and highly liquid assets. Next week's data will contain the major sentiment indicators in Euroland. On Tuesday, the Ifo Index for Germany and business climate indices for France and Italy will be released. Anything other than a further decline would be a very positive surprise. As the Belgian sentiment indicator improved and the Reuters manufacturing PMI increased slightly, there is a chance that these indices will again turn upward, but we assess it as rather low. During the week, preliminary consumer prices for Germany will be released and should show a further increase, on the back of higher energy prices and seasonal price increases. Labor market data and retail sales for Germany, as well as Eurozone sentiment indicators and M3, will complete the data set.

Next week's housing market data could surprise markets

Releases will start on Tuesday with consumer confidence. The market expects yet another deterioration, which seems realistic, given the losses on equity markets and the general turmoil on financial markets in November. The following day, data from the housing market is scheduled. Wednesday will bring existing home sales and Thursday new home sales. For both numbers, markets expect a further deterioration. In our view, there is risk for a surprise on the upside. While we do not doubt that the downturn of the US housing market will continue far into the next year, the September data showed a very strong drop in activity, which we think was due to an initial reaction to the start of the turmoil on financial markets. However, after the first shock passed, it could very well be that housing sales figures recovered somewhat in October. How the markets would react to better than expected numbers from the housing market is hard to assess in the current market environment. Building permits and housing starts, which did not deteriorate as markets expected (and rather improved), barely affected markets this week. Fears about the further course of the US economy persisted and risk reduction was what everybody was looking for. Nervousness should continue next week, which the upcoming data will at best reduce.

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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	4.50	4.68		5.03		4.05	4.03	1.480	
Dec-07	4.00	4.50	4.35	4.82	4.60	4.97	4.40	4.60	1.40	1.481
Mar-08	4.25	4.25	4.30	4.55	4.30	4.44	4.70	4.60	1.36	1.481
Jun-08	4.25	4.00	4.30	4.44	4.30	4.94	4.70	4.70	1.33	1.480
Sep-08	4.25	4.00	4.30	4.21	4.20	3.82	4.70	4.70	1.33	1.480

Czech Republic

Sale of 50Y bonds underwhelming

Last week saw no domestic data releases whatsoever. Among the events worth mentioning is the sale of CZK 4.75bn in 50Y bonds. As we expected, the demand from investors was not high - bonds worth CZK 18bn were on offer (out of which the Ministry of Finance pledged even before the auction to keep CZK 10bn on its books in an attempt to sell them later; that later turned out to be CZK 13.25bn) and only a quarter of that was sold for an average yield equal to the coupon. Two things seemed to limit the demand - the outburst of nervousness on the markets (as evidenced, for example, in widening spreads and rising money market rates) and the associated lack of foreign demand, as well as the limited demand from domestic actors, due to the fact that hardly anyone is in need of such a long maturity.

CZK reached record high against USD

The CZK hit a record high against the USD, briefly dipping below the 18 USD/CZK level before returning to above 18. Negative EM sentiment weakened all of the CEE currencies against the EUR, but we still see the koruna as fundamentally overvalued and expect weakening of the CZK against the EUR, as well as against the USD (we are contemplating short CZKUSD and waiting for a propitious moment to enter into it).

CNB rate setting meeting next week

As for next week, the CNB will hold its monthly rate setting meeting. We expect no change in the rates, but acknowledge a probability of around 30% of a hike of 25bps in November. The rationale for our baseline is as follows. Most of the price shocks that will inflate prices are not due to underlying demand pressures (as would not be completely irrational to expect, given the strong domestic demand), but to exogenous shocks, such as food and fuel prices or (for the near future) non-recurring administrative effects (higher taxes). Secondly, the CZK is much stronger than what the CNB prognosis probably assumed, constituting an anti-inflationary risk and dampening the price increases. Third, reforms next year will further restrain the consumption (cut in social spending and PIT reform) and drive the demand inflation down further. Fourth, the outlook for Eurozone growth remains shrouded in uncertainty, calling for a cautious approach. Fifth, demands from unions remain moderate (with 4% growth next year and 5% inflation, we do not view 8% as excessive), suggesting no imminent wage-inflation spiral. All in all, we do not view the rate changes as being the right instrument to attack the current problem - with pure demand-driven inflation low, we do not see much logic in or space for depressing it further via the credit channel. True, inflation expectations might get built in, but so far nothing points in that direction. The labor market is tight and we thus still think there will be further hikes to come, but only in a gradual way - we see only two hikes (the first one in January) to be delivered until the end of 2008.

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Hungary

Central bank is to keep base rate on hold

The rate setting meeting of the central bank will be in focus next week. Expectations for the outcome of the meeting are not unanimous, but are less divided than a month ago. I do not expect a rate reduction on Monday and the majority of financial analysts and FX dealers do share this view. Looking back at this year, one can say that the central bank has pursued a more cautious monetary policy than the markets expected. The base rate was cut - in two steps - from 8% to just 7.50%. Hence, taking the overall cautiousness of the monetary council into consideration, November should not be the month in which they could credibly carry out a rate reduction. A 25bp cut at the end of December - at the last monetary meeting of the year, as a Christmas present - cannot be ruled out, but it now seems more likely that the monetary easing process will continue only next year. The reasons are as follows. Based on the food and fuel factors, the short-term inflation outlook has deteriorated, while the 12-month inflation rates in 4Q07 and 1H08 are expected to be higher than predicted earlier. This should also appear in the next Quarterly Report on Inflation (also due on Monday), in which the bank's staff is expected to have raised its 2008 average inflation projection to well above 5% y/y, from the only 4.5% y/y published in August. Moreover, the 2009 projection may have been raised to around 3%, from just 2.4% y/y. This week, Chief Economist of the central bank Ágnes Csermely said at a conference that the current price shock might have longer-term impacts on inflation. This comment suggested continued cautiousness from the central bank's side. In addition, sentiment on markets has worsened compared to October, and risk premiums have again started to increase this week. This could again be a strong argument for keeping the base rate on hold on Monday. As for future prospects, the timing of the next rate move remains uncertain; the central bank is expected to be very cautious in making future rate decisions. Thus, I have raised my year-end base rate forecasts. For the end of this year, I expect 7.50%. As for the 2008 outlook, supposing anchored inflationary expectations, no significant second-round inflation effects and improvement in the global market environment (which is again deteriorating at present), the central bank could cut the base rate to 6.50% by the end of next year.

Forint on weakening path

Global markets have showed signs of increasing risk aversion this week, which has led to weakening of emerging market currencies. The forint started to weaken as well, approaching 258 EUR/HUF this morning, indicating that Hungary's exposure to changes in global risk appetite is still seen as high. As the rate cutting cycle will likely drag on for a longer period, this should provide some support for the local currency. However, no spectacular recovery is expected in a market environment where risk aversion is dominant. The currency is expected to show a very strong correlation with changes in global risk appetite for the remainder of the year.

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Poland

CB to tighten monetary policy gear next week

The Monetary Policy Council of the Polish central bank will decide on the setting of key interest rates next week. Minutes from the October meeting revealed that a hike proposal was already voted upon, but did not win the necessary majority. We think that the situation will be different this time and the central bank will reach consensus to increase the reference rate by 25bp. There are several factors tipping the scales towards a tighter monetary policy. First of all, inflation made a huge leap upwards in October (to 3%) and now seems likely to move dangerously close to the upper end of the tolerance band (2.5% +/- 1pp) at the year-end. To be fair, the reasons are of an exogenous nature (food, fuels) and the central bank cannot influence this part of inflation via its monetary policy. However, one must remember that the Polish economy is currently operating above its potential and the labor market is tight. Hence there is a non-negligible risk that undesirable second-round effects of higher food and oil prices could emerge. Furthermore, pressures from the labor market intensified in October. Both wage and employment dynamics accelerated and the aggregate wages (wages x employment) increased by a respectable 13.2% y/y in real (!) terms. Hence, despite faster industrial output, productivity is still not managing to cover wage rises. The only card for the doves to play on is thus the zloty, but the strength of this argument also weakened over the past month, as the exchange rate underwent a correction amid the more shaky global market sentiment. All in all, a hike in November is close to a done deal. We bet on a 25bp rise, while other analysts unanimously share this opinion.

25bp hike would not surprise markets; GDP data to be watched at end of week

The zloty slid to weaker territory this week amid renewed nervousness on global financial markets. Higher risk aversion also left an imprint on governments bonds. The spreads against the Eurozone widened visibly along the whole curve (25-35 basis points). Thus, despite the decline of Eurozone yields, the Polish curve rolled 10-15 basis points uphill. A hike of 25bp is already fully priced in to the curve and some market participants have even started to speculate about a bigger move (50bp), following the interview with MPC member Filar, who indicated this possibility (however, he is traditionally hawkish in his views). We think that the scenario of +50bp (to which we assign only a probability of around 10%) could trigger a further increase of yields and provide some support for the zloty. On the other hand, a 'no change' verdict would be a total surprise and would trigger a move in the opposite direction. On the macro front, markets will eye the first estimate of 3Q GDP data at the end of the week. These should confirm the solid performance of the economy, although the pace of growth is expected to slow down slightly in comparison to the previous quarter (mainly due to slower investments, as evidenced by the construction sector). The key factor for Polish assets will still be development on global markets. Technical factors suggest that the pressure toward zloty weakening might persist in the short term, with 3.72-3.73 the next resistance area, should 3.695 definitely be broken. The bond yield curve could stay under pressure as well, due to the inflation fears currently reverberating through the market.

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Romania

3Q GDP figures to be released next week

According to our estimation, 3Q economic growth will be about 5%, thus putting the cumulated growth for the first nine months at 5.3%. Construction activity maintained the same high pace in 3Q, following important investments in infrastructure development and high demand for residential buildings. This trend will continue in 2008, as new ambitious infrastructure projects have already been announced. Services accelerated slightly in 3Q. Industry slowed down marginally, but the real potential should be revealed in 2008, after new players in IT&C and the car industry begin production. Agriculture will make a negative contribution to GDP formation after the harsh summer drought. However, major future investments might reduce the volatility of agriculture by lowering the dependence on weather conditions. Considering these factors, we estimate economic growth of 5.3-5.7% for end-2007.

RON fell to two-year low against EUR

The Romanian currency fell to a two-year low against the euro, breaking the 3.50 resistance zone, amid intensifying risk aversion globally and falling short-term interest rates. The RON began the week in the 3.48 zone and was traded at 3.69 today morning. The RON lost 6.6% against the euro this week alone and nearly 10% since the beginning of the year. We consider the recent decline of the Romanian currency to above the 3.40 threshold as unsustainable, leaving aside economic fundamentals. The sharp move was triggered by the global turbulence, which affected all emerging markets, but was also fueled by the comments of some Romanian officials who stated their comfort with the depreciation of the leu, indicating to the market that there was room for further weakening. However, on Thursday, the governor of the central bank stated that the NBR is no longer comfortable with large swings of the exchange rate. "We do not target the exchange rate, but large variations of the exchange rate are not good for the economy and we reserve the right, without any commenting, to conduct adequate policies, even obscure ones, to stabilize the forex market," he said. The governor also stated that the leu is a victim of the turbulence on global markets, but that "investors need to know that the central bank will work with all the intelligence to diminish these negative effects, but Romania stands in a globalized world and turbulence can be softened, but in no way annihilated." The RON could again weaken at the beginning of next week, but we consider the recent sharp decline to be short-lived and the pair might reverse its trend towards the 3.50 zone, especially now that the NBR has started with verbal interventions.

MinFin started to pay higher yields

On November 21, the Ministry of the Economy and Finance organized another auction to sell Treasury bills worth RON 500mn at 6-month maturity. The MinFin decided to pay higher yields to investors, as the cut-off rates rose to 8.0%, outpacing the 7.5% key rate. This indicates that the MinFin also expects the NBR to hike the policy rate to at least 8.0% in the first semester of 2008. Although the amount accepted by the MinFin was very low, amounting to RON 94mn from total bids of RON 700mn, it indicates that the MinFin has finally become aware that Romania has to pay higher risk premiums to investors if it wants to finance in the local currency, to compensate for the depreciation of the RON. We believe that the MinFin will attract more liquidity from the domestic market in the coming weeks, as it will need money to finance the increased expenditures specific for the year-end.

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Slovakia

Coalition tensions intensify

Tensions within the ruling coalition have intensified into a more serious crisis, as PM Fico demanded the resignation of Agriculture Minister Miroslav Jurena, a nominee of the smaller coalition partner HZDS. Please recall that the crisis was sparked by last week's exposure of suspicious land deals by a state agency under the control of the Agriculture Ministry. Fico insisted on Jurena's departure, "even if the government would not last", and dismissed him on Friday. HZDS has not yet decided on its response and is mulling a departure from the government (it should make a decision over the weekend). However, we think that it is more likely that the party will stay in the government, as the other options would probably weaken its position. Alternatives include early elections, replacement of HZDS by another party or some less stable solutions, such as a minority government, possibly supported by some HZDS parliamentary deputies (some MPs recently spoke out against the party line).

Some risks to Eurozone entry, but cross-party support for euro limits them

The crisis poses some risk for the euro adoption process, particularly if early elections were to take place. All parliamentary parties support Eurozone entry. Thus, a coalition shake-up would probably leave the process intact. However, early elections might mean that euro adoption would be overshadowed by other priorities. At the same time, there is some risk that the dialogue between Slovakia and European institutions might be affected during the crucial time of evaluation (i.e. early elections might lead to a change in the negotiating team representing the Slovak Finance Ministry). Overall, with such broad-based support for euro adoption, we regard these risks as limited (but they could nonetheless provoke some market nervousness).

Koruna weakened, alongside region

We missed the opportunity to close our FX trading idea last week, when the exchange rate was just barely above our 32.8 EUR/SKK target. However, the koruna has completely turned around since then and was traded near 33.6 EUR/SKK on Friday. The weakening came on the back of worsened market sentiment in Central Europe. However, the coalition crisis is not helping either and the koruna losses over the last week were the most profound among the Central European currencies.

NBS to keep rates stable on Tuesday

Apart from the development of the coalition row, next week will also feature the central bank's meeting (on Tuesday). As was the case in the previous months, we expect the central bank to keep rates on hold. While inflation recently surged, the pickup was caused by food price growth also seen in other countries - the monetary policy of the Slovak central bank has no impact here.

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Appendix Charts

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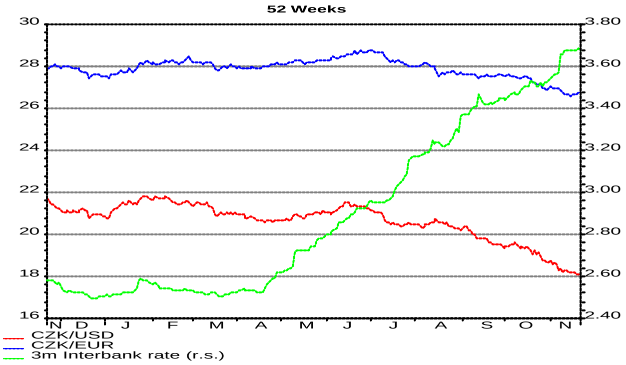
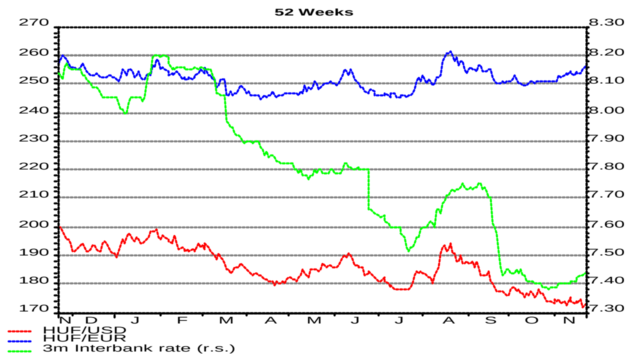
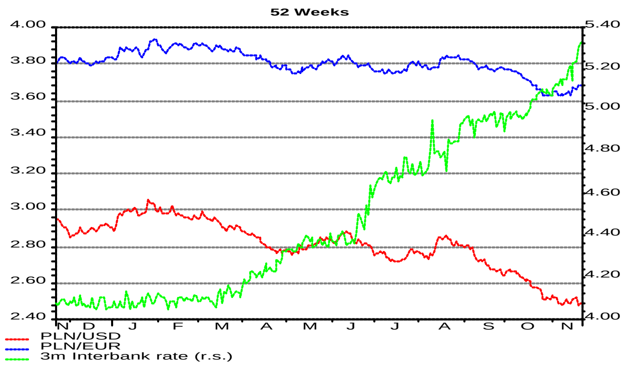
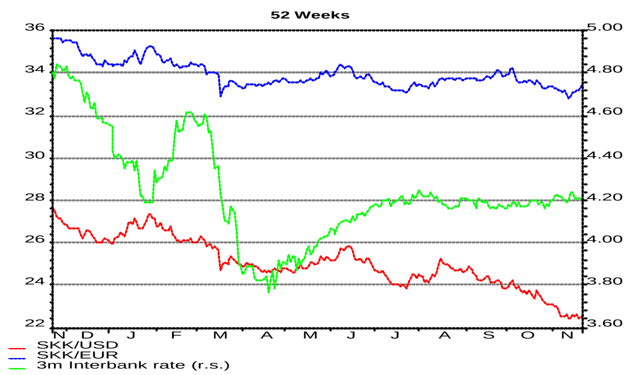
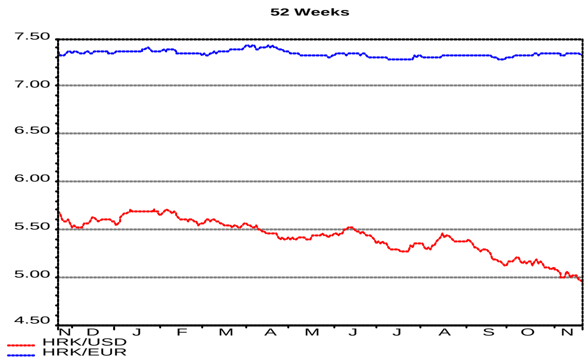
Exchange rates and interest rates (52 weeks)

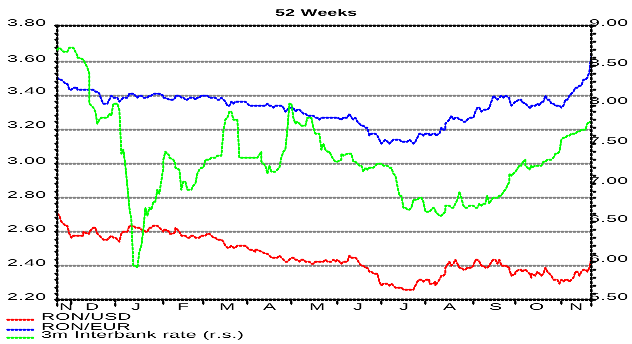








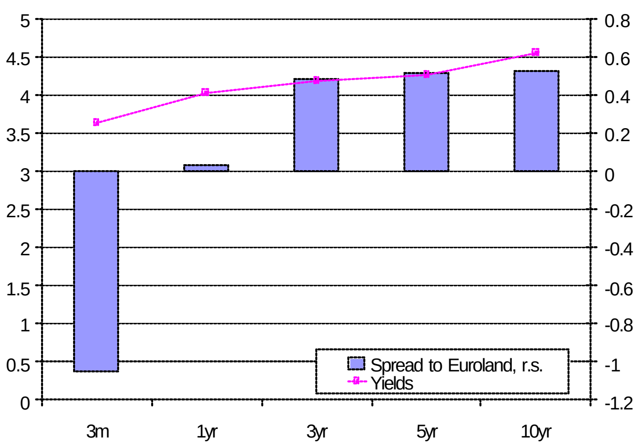




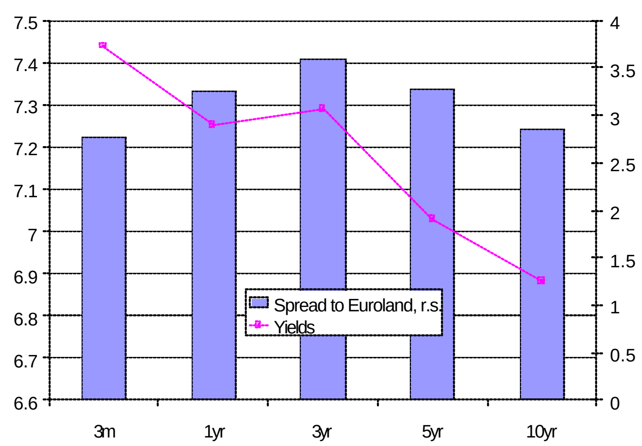
Source: Datastream

Benchmarks

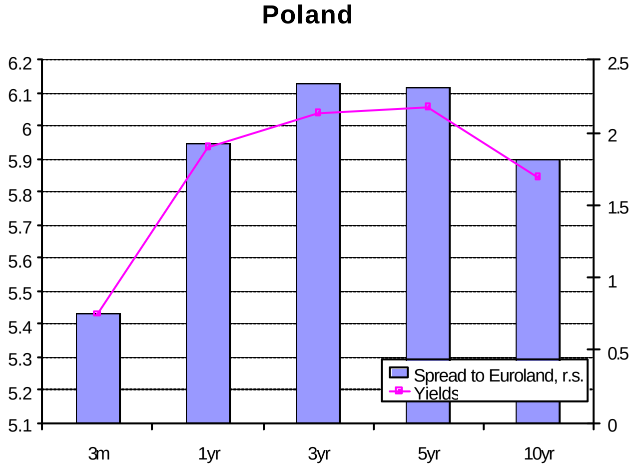
Czech Republic

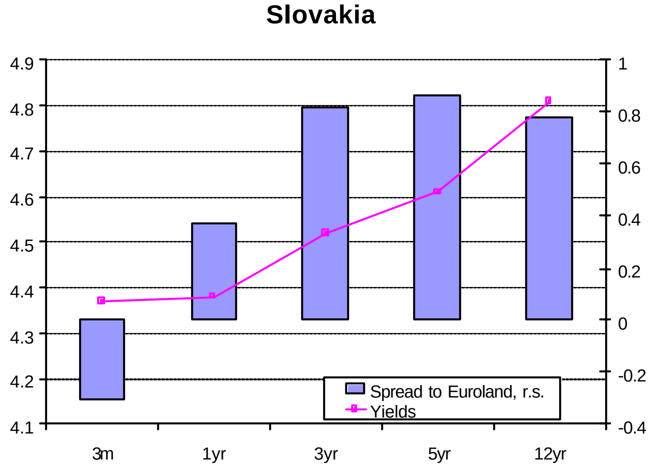


Hungary



Appendix Forwards





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