

EMEA Weekly

NBP to stay on hold for long

When the Polish central bank's Monetary Policy Council meets next week, it is very likely that it will decide to keep the central bank's key policy rate unchanged at 2.5%. This is also the consensus expectation.

Polish growth remains weak and inflation is well below the central bank's 2.5% target so it would be reasonable to assume that further monetary easing would be forthcoming. However, it is equally clear that the NBP thinks it has done enough and the latest signals from NBP governor Marek Belka indicate that the markets should not expect more rate cuts any time soon. While we think monetary easing is warranted in Poland, we also think that the NBP is not about to change its mind on this issue. As a result, we believe it will keep rates unchanged in the coming 12 months, but risks are on the downside.

EM Bond Snapshot: Better global environment for EM but challenges remain

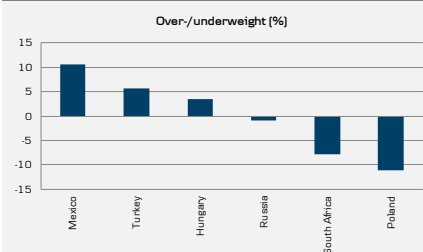
So far, this has not been a good year for emerging market assets. Increased political risks arising from unrest and war in Syria and Egypt, demonstrations in Brazil and Turkey, growth worries in China and fears of Federal Reserve tapering have all made for a very unpleasant cocktail.

However, it now looks as though some of the clouds are disappearing. First, the sell-off in emerging markets – on both the fixed income and the FX side – means that valuations across the emerging market universe have become less challenging. Second, the Chinese growth worries are easing as recent Chinese data releases have indicated a growth stabilisation in China. Third, the risk of a US military attack on Syria seems to have decreased, as have worries about the situation in Egypt. Finally, it is quite supportive for the emerging markets that the Federal Reserve has postponed tapering. All in all, it seems as though the appetite for emerging market risk has been coming back recently.

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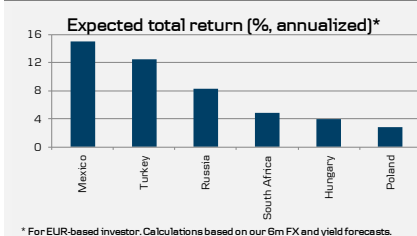
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Emerging market bond snapshot over/underweight



Source: Reuters EcoWin, Danske Bank Markets

Emerging market bond snapshot of expected returns



* For EUR-based investor. Calculations based on our 6m FX and yield forecasts.

Source: Reuters EcoWin, Danske Bank Markets

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Calendar

EMEA Data and Events in Week 40

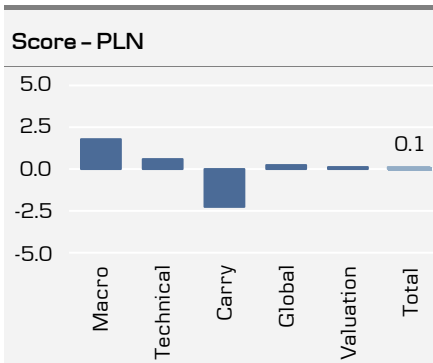
Monday, September 30, 2013				Period	Danske Bank	Consensus	Previous
RON	-	Central bank meeting (rate decision)	%		4.25%	4.25%	4.50%
EEK	7:00	Industrial production	y/y	Aug			7.9%
ZAR	8:00	Private sector credit	y/y	Aug			7.41%
TRY	9:00	Trade balance	USD bn.	Aug			-9.81
HUF	9:00	Producer prices	y/y	Aug		2.1%	1.3%
LVL	12:00	Retail sales	y/y	Aug			5.5%
PLN	14:00	Current account	Euro mil	2nd quarter		1452	-2055
ZAR	14:00	Trade balance	ZAR bn.	Aug			-14.2
Tuesday, October 1, 2013				Period	Danske Bank	Consensus	Previous
EEK	-	Unemployment	%	Sep			5.1%
ZAR	-	Naamsa vehicle sales	y/y	Sep			-0.3%
EEK	7:00	Retail sales	y/y	Aug			5.0%
RUB	7:00	PMI	Index	Sep			49.4
PLN	9:00	PMI	Index	Sep			52.6
HUF	9:00	PMI	Index	Sep			51.7
TRY	9:00	PMI	Index	Sep			50.9
CZK	9:30	PMI	Index	Sep			53.9
ZAR	14:00	PMI	Index	Sep			56.5
Wednesday, October 2, 2013				Period	Danske Bank	Consensus	Previous
PLN	-	Monetary Policy Council meets	%		2.50%		2.50%
Thursday, October 3, 2013				Period	Danske Bank	Consensus	Previous
TRY	9:00	CPI	y/y	Sep	8.10%		8.17%
TRY	9:00	PPI	y/y	Sep			6.38%
Friday, October 4, 2013				Period	Danske Bank	Consensus	Previous
RUB	-	CPI (4-7 Oct)	y/y	Sep			6.5%
HUF	9:00	Retail trade	y/y	Aug			1.2%
LVL	12:00	Industrial production	y/y	Aug			2.1%

Note: The editors do not guarantee the accuracy of the figures, hours or dates stated above

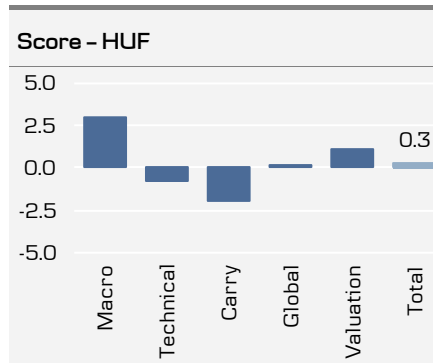
All release times are CET

Source: Danske Bank Markets

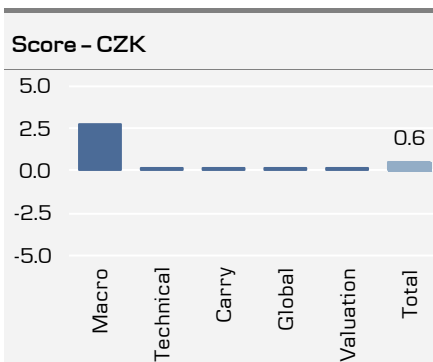
EMEA FX scorecard overview



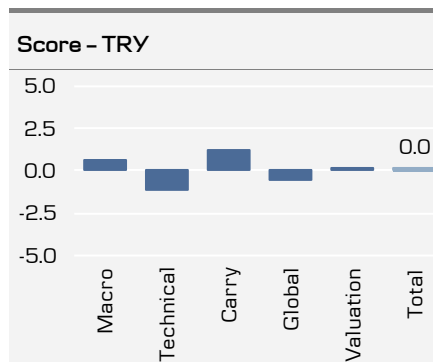
Source: Danske Bank Markets calculations



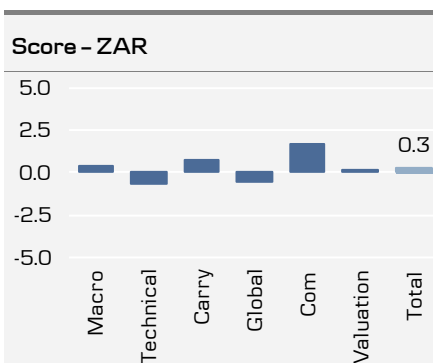
Source: Danske Bank Markets calculations



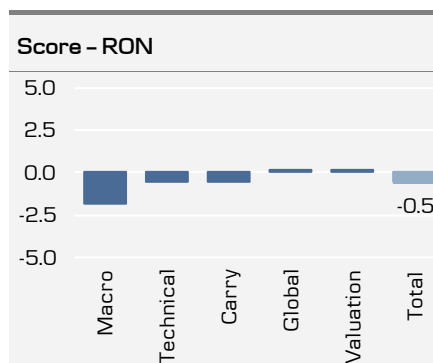
Source: Danske Bank Markets calculations



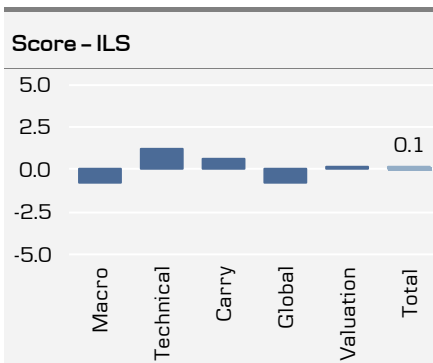
Source: Danske Bank Markets calculations



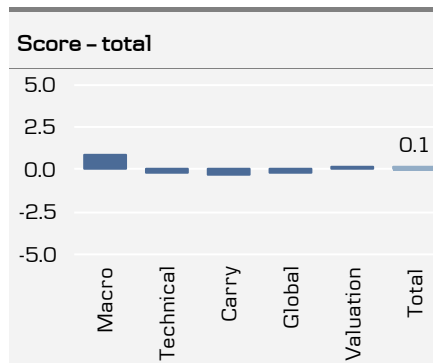
Source: Danske Bank Markets calculations



Source: Danske Bank Markets calculations



Source: Danske Bank Markets calculations



Source: Danske Bank Markets calculations

EMEA FX scorecard outline

- All scores are computed on a scale from +5 to -5. A score is then derived by combining the different sub-scores.
- **Macro:** calculates the growth momentum in different monthly macro indicators.
- **Technical:** calculates the momentum in different volatility measures, short- and longer term moving averages and the level of the relative strength index.
- **Carry:** calculates the momentum in local three-month rates, carry-to-risk, spread versus EUR or USD three-month rates and spread versus peers.
- **Global:** consists of a global growth score based on leading global indicators, a liquidity score based on G3 real rates and a sentiment score based on performance in global equity markets and traditional funding currencies.
- **Valuation:** calculates whether currencies are over/undervalued compared with the long-term trend in the real effective exchange rate (REER). The trend is adjusted for external imbalances, i.e. an imbalance-adjusted REER. The scores are calibrated to reflect the short-term impact of the valuation on FX.

Currency forecasts, EMEA

Sep 26. 2013		EUR	USD	SEK	NOK	DKK
USD	Actual	1.35	-	641	598	552
	+3m	1.33	-	639	579	561
	+6m	1.30	-	646	585	574
	+12m	1.27	-	654	594	587
PLN	Actual	4.23	3.13	205	191	176
	+3m	4.22	3.17	201	182	177
	+6m	4.26	3.28	197	178	175
	+12m	4.30	3.39	193	176	173
HUF	Actual	300	222	2.89	2.69	2.49
	+3m	300	226	2.83	2.57	2.49
	+6m	295	227	2.85	2.58	2.53
	+12m	295	232	2.81	2.56	2.53
CZK	Actual	25.8	19.1	33.5	31.2	28.9
	+3m	25.8	19.4	32.9	29.8	28.9
	+6m	25.7	19.8	32.7	29.6	29.0
	+12m	25.6	20.2	32.4	29.5	29.1
LVL	Actual	0.70	0.52	1233	1149	1062
	+3m	0.70	0.53	1214	1100	1066
	+6m	0.70	0.54	1200	1086	1066
	+12m	0.70	0.55	1186	1079	1066
LTL	Actual	3.45	2.56	251	234	216
	+3m	3.45	2.59	246	223	216
	+6m	3.45	2.65	243	220	216
	+12m	3.45	2.72	241	219	216
RON	Actual	4.47	3.31	194	181	167
	+3m	4.55	3.42	187	169	164
	+6m	4.55	3.50	185	167	164
	+12m	4.50	3.54	184	168	166
BGN	Actual	1.96	1.45	443	413	381
	+3m	1.96	1.47	435	394	381
	+6m	1.96	1.50	429	389	381
	+12m	1.96	1.54	424	386	381
TRY	Actual	2.72	2.02	318	297	274
	+3m	2.55	1.92	333	302	293
	+6m	2.56	1.97	328	297	291
	+12m	2.56	2.02	324	295	291
RUB	Actual	43.42	32.2	19.9	18.6	17.2
	+3m	44.2	33.2	19.2	17.4	16.9
	+6m	41.7	32.1	20.1	18.2	17.9
	+12m	44.6	35.1	18.6	16.9	16.7
UAH	Actual	11.06	8.20	78.3	72.9	67.4
	+3m	11.70	8.80	72.6	65.8	63.7
	+6m	11.70	9.00	71.8	65.0	63.8
	+12m	11.18	8.80	74.3	67.6	66.8
ZAR	Actual	13.49	9.99	64.2	59.8	55.3
	+3m	12.86	9.67	66.1	59.9	58.0
	+6m	12.97	9.98	64.7	58.6	57.5
	+12m	13.04	10.27	63.6	57.9	57.2
ILS	Actual	4.80	3.56	180.2	168.0	155.2
	+3m	4.72	3.55	180.0	163.1	158.0
	+6m	4.62	3.55	182.0	164.7	161.6
	+12m	4.57	3.60	181.5	165.1	163.2

Source: Bloomberg, Danske Bank Markets

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