

EMEA Daily

Review

- **Czech industrial production and retail sales for July came out weaker than expected.** Industrial production dropped to 5.3% y/y in July, down from the revised 9% y/y in June and well below consensus (7.3% y/y). Also, retail sales in July were weaker than expected, dropping sharply to a negative 1.0% y/y, down from the revised 7.0% y/y. Both results should to some extent calm down expectations of an early rate hike in the Czech Republic.
- **Russian CPI was 0.6% m/m and 6.1% y/y, slightly below the preliminary figures.** We believe that the first panic from rising food prices is starting to fade now, but the actual endogenous inflation, caused by money supply growth, wage growth, public spending and producer price inflation, is likely to emerge Nov-Dec time, pushing year-end CPI to around 8%.

Preview

- **Estonian inflation for August is due for release today. We expect inflation to inch up to 3.0% y/y from July's 2.9% y/y.** There has been a slight increase in prices in Estonia - this may be due to the coming introduction of the euro. As already indicated, many countries experience a short-term jump in inflation during the euro changeover.
- **Turkish industrial production in July will likely show another drop.** We expect industrial production to decrease somewhat vs consensus, to 6.6% y/y in July - down from June's 10.2% y/y.

Trading update

- Higher risk appetite sparked by better-than-expected US non-farm payrolls on Friday did not hold going into Monday. Amid thin trading due to the public holiday in the US, most of the EMEA FX gave back some of its gains from Friday.
- The Russian rouble continues to remain close to the upper bound of its strengthening trend against the bi-currency basket. A close above the recent highs of 34.65 could indicate that it has moved sideways. However, our base scenario is that the rouble strengthens another 5% before the strengthening period comes to an end.

Calendar

Tuesday, September 7, 2010				Period	Danske Bank	Consensus	Previous
EEK	7:00	CPI	y/y	Aug	3.0%		2.9%
HUF	9:00	Trade balance	mIn. EUR	Jul			563.9
TRY	9:00	Industrial production	y/y	Jul	6.6%	8.5%	10.2%
LTL	10:00	PPI	y/y	Aug			9.8%

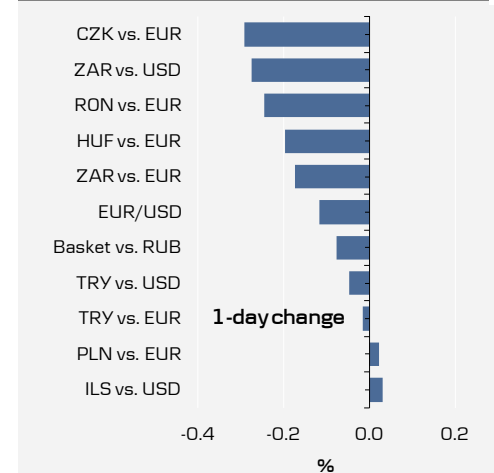
Source: Danske Markets

EMEA swap rates

	2Y IRS	Mid level	1D chg - bp
CZK		1.71	-2
HUF		6.29	-4
PLN		4.60	-2
RUB		5.49	-1
TRY		7.50	2
ZAR		6.33	0
EUR		1.31	-1
USD		0.70	0
	5Y IRS	Mid level	1D chg - bp
CZK		2.08	0
HUF		6.56	-3
PLN		5.06	3
RUB		6.77	1
TRY		8.09	4
ZAR		7.10	2
EUR		1.88	-3
USD		1.68	0

Source: Reuters Ecowin

EMEA FX markets



Source: Reuters Ecowin

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All EM research is available on Bloomberg DMEM

Disclosure

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