

EMEA Daily

Review

- **Yesterday, data for Turkish inflation for December was published.** This provided yet another **upside surprise with inflation up to 6.53% y/y in December from 5.53% y/y in November.** That said, the core inflation measures were more or less flat, but the data is another reminder that the Turkish central bank will have to tighten monetary policy during 2010 to contain inflationary pressures.
- **PMIs for December published across the EMEA region yesterday disappointed somewhat.** While the Czech PMI increased moderately to 50.6 from November's 50.6 and the Polish PMI remained flat at 52.4 versus November, the Russian PMI fell for the third consecutive month to 48.8, and the Turkish PMI fell to 50.6.
- **Russia has cut off oil supplies to Belarus due to talks that broke off in a dispute over the tariff on gas and oil.** Last year Belarus enjoyed a significant discount on imported oil and gas, and it likely wants this to continue. The conflict remains unresolved and the risk of energy supplies from Russia to Europe being disrupted remains pretty high. So far we have not seen any spill-over effects to other CEE/CIS countries.
- **Lithuania has begun to shut down its Soviet-era nuclear power plant.** As a result, wholesale electricity prices have risen by up to 30%. The direct effect on CPI might reach 0.8 p.p. and indirectly about 0.5 p.p. in 2010. The majority of the effects will pass through to prices in the first half of the year, while the decline in disposable income and deterioration in labour market conditions should restrain any inflationary sentiment over the longer term. We estimate that the rise in power prices will dampen economic growth by up to 1 p.p.

Preview

- A rate decision for Romania is on the agenda today. We expect the central bank to keep its key policy rate on hold. That is also the consensus expectation.

Trading update

- Higher-than-expected inflation in Turkey made the country's FX underperformance stand out in an environment of solid risk appetite. Elsewhere, risk sensitive markets such as Hungary and Poland saw good performances with falling yields and EUR spreads.

Calendar

Tuesday, January 5, 2010

			Period	Danske Bank	Consensus	Previous
CZK	-	Budget balance	bln. CZK	Nov		-138.1
RON	-	Central bank meeting (rate decision)	%	8.00%	8.00%	8.00%
EEK	8:00	Retail trade	y/y	Nov		-17.0%
HUF	9:00	Producer prices	y/y	Nov		0.0%

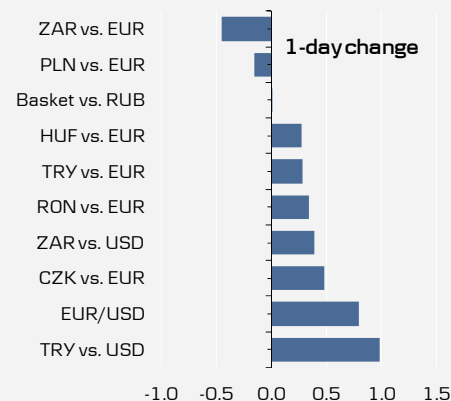
Source: Danske Markets

EMEA swap rates

	2Y IRS	Mid level	1D chg - bp
CZK		2.24	-1
HUF		6.65	-14
PLN		5.06	-1
RUB		7.55	-5
TRY		9.40	30
ZAR		7.58	0
	5Y IRS	Mid level	1D chg - bp
CZK		3.00	1
HUF		7.09	-14
PLN		5.79	4
RUB		8.05	0
TRY		10.65	30
ZAR		8.52	0

Source: Reuters Ecowin.

EMEA FX markets



Data updated: 04/01 - CET: 15:15

Source: Reuters Ecowin

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All EM research is available on Bloomberg DDEM

Disclosure

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