

EMEA Daily

Review

- Over the weekend Europeans voted in the **European Parliamentary elections**. In Central and Eastern Europe, the elections were dominated by low voter turn out and in many CEE countries the governing parties did badly – most notably in Bulgaria, Hungary, Estonia, Latvia and Slovenia where the governing parties suffered crushing defeats. In general extremist parties did well in the European Parliamentary elections. **In CEE especially the nationalistic parties Jobbik in Hungary and SNS in Slovakia did well.** In Latvia, which is in serious economic and financial trouble, the big winner was the opposition **Hamony Centre Party** which enjoys particularly strong support from Russian ethnic Latvians. The Hamony Centre Party's leading candidate was **Alfreds Rubiks** the last leader of the Latvian Communist Party when Latvia was still part of the Soviet Union. In **Poland** the governing Civic Platform under the leadership of Prime Minister Donald Tusk did well and beat President Kaczynski's socially conservative Law and Justice Party (PiS).
- Over the weekend the **EU Economic and Monetary Affairs Commissioner Almunia said the currency peg in Latvia is "an anchor for stability"**. This is good news in the sense that the EU is in favour of Latvia maintaining its pegged exchange rate policy. That said, we do not expect the pressure of the Latvian lat to subside before we have clear and positive news on a deal from the IMF. There has been no news over the weekend regarding the continued IMF negotiations, but we expect news on this in the next couple of days.

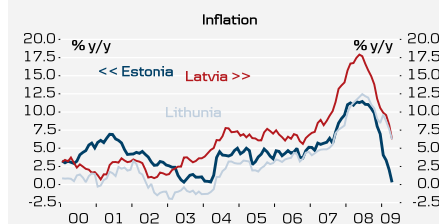
Preview

- Inflation for May is due in Lithuania today.** We expect inflation to decline to **5.2% y/y** in May from 6.3% y/y in April. Looking forward, we see inflation declining further in the coming months, especially in July due to lower energy prices (gas and electricity). Average inflation in 2009 will be around 4.3%.
- We expect consumer prices in Latvia to decline to 4.6% y/y** in May from 6.2% y/y in April. Going forward inflation will decelerate further back on a sharp drop in domestic demand; the average consumer price level is expected to rise by 3.6% in 2009.

Trading update

- Concerns over the Latvian situation continue to weigh on CEE markets – we expect this also to be the case in the coming days.
- Also keep an eye on the Turkish markets where there again seem to be some concerns over the possible failure to get an agreement on an IMF loan.

Declining inflation in Baltics



Source: Reuters EcoWin

Calendar

Monday, June 8, 2009			Period	Danske Bank	Consensus	Previous
CZK	9:00	Trade balance	bn. CZk	Apr	11.3	23.38
TRY	9:00	Industrial production	y/y	Apr	-18.0%	-20.9%
CZK	10:00	Current account	bn. EUR	1st quarter		-2.29
LTL	10:00	CPI	y/y	May	5.2%	6.3%
LVL	12:00	CPI	y/y	May	4.6%	6.2%

Source: Danske Markets

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All EM research is available on Bloomberg DDEM

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