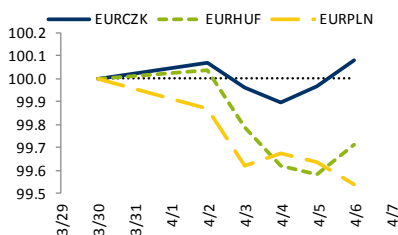




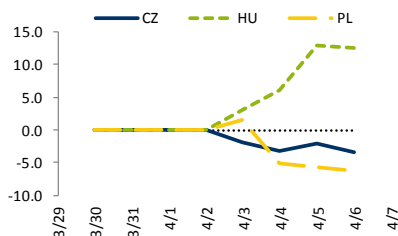
Friday, 06 April 2018

Forex markets (index)



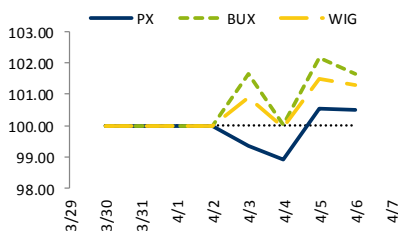
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.37	25.34	0.11
EURHUF	311.6	311.2	0.13
EURPLN	4.196	4.200	-0.10

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.806	1.821	-1.5
HUGB 10Y	2.52	2.52	-0.1
PLGB 10Y	3.10	3.11	-0.2

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1129.6	1130.2	-0.06
BUX	37881	38065	-0.48
WIG	59142	59244	-0.17

Regional insights

Hungarian markets eye another Fidesz victory

Based on the latest opinion polls the current governing party (Fidesz) has far the biggest chance to win the upcoming election held during this weekend (April 8th). Fidesz support is around 50% among the sure voters, while around 33% among all voters included undecided voters. Jobbik's support – which was far right wing party, but tries to reposition itself closer to the center – is around 18% and 13% respectively, which is followed by Socialist – former governing party – by around 13% and 9% respectively. There are two more opposition parties which have real chance to receive the 5% vote minimum requirement to get into the Parliament: DK, which is led by former Prime Minister Mr. Gyurcsany and the LMP, which is a center green party. The portion of undecided voters group is standing still high around 30%.

The 199 mandates into the parliament are calculated via two ways: 93 comes from the votes given on a party, and 106 comes from votes given on individual candidates. The individual seats can be taken even less than 50% of the votes (for example if the candidate of Fidesz gets 40% of the votes, while the other three parties' candidates are receiving 30%, 20% and 10% of the votes than Fidesz will get the mandate as they received the most votes. It means that a party can get the majority in the parliament even with a substantial lower than 50% support.

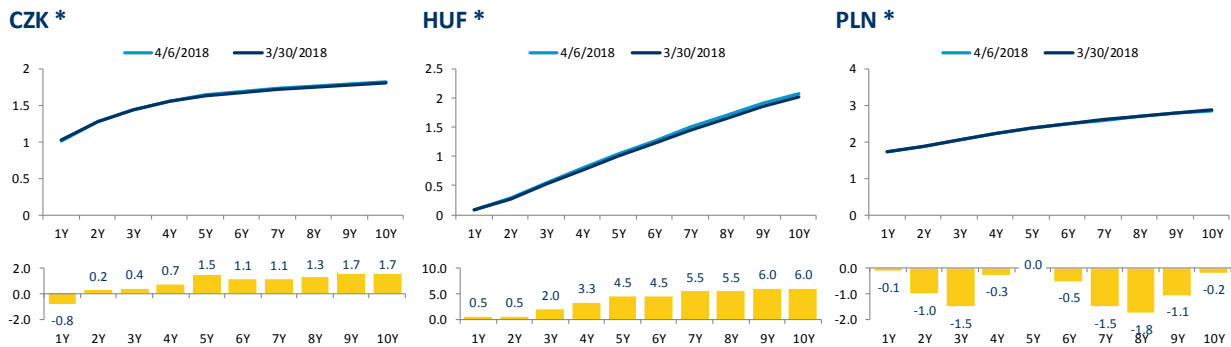
The most likely scenario of the election that Fidesz may have a strong majority in the Parliament as the opposition parties may cooperate in some individual candidate – it means that only one or two candidates will be nominated, so the votes of those who would like to vote against Fidesz won't be filtered away.

In case Fidesz wins the election and can form a government on its own, would mean no big change of governing. The fiscal deficit might be kept slightly below 2% of GDP, which means that the public debt can moderate by around 2%pt annually. The tax levied on the labor force might be moderated gradually further, which is positive from competitiveness perspective. But it is also likely that they might support further the close to government corporates, which long term effect is quite uncertain from competitiveness perspective. It is also a big question that how the other disadvantages might be handled in the future like corruption, institutional backgrounds, education or healthcare etc.

In case Fidesz won't be able to form a government it would create uncertainties as the opposition parties are quite different so they won't be able to form a coalition and none of them may cooperate with Fidesz.

So from market perspective a simple majority of Fidesz would be the best outcome of the election as in that case the stability would remain, in other case even an early election can be excluded.

Interest-rate Swap Curves



* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points (against previous Friday).

Calendar

Country	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	9:00	Construction output	% 02/01/2018		12		9.4				33.6
CZ	9:00	Industrial output	% 02/01/2018		5.8		2.7		5.5		5.5
CZ	9:00	Retail sales	% 02/01/2018		4.8		2.3		5.3		5.7
HU	9:00	Industrial output	% 02/01/2018			0.5	4.1	0.9	4.3	1.5	6.7
CZ	10:00	FX reserves of the CNB	EUR B 03/01/2018								123.5

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