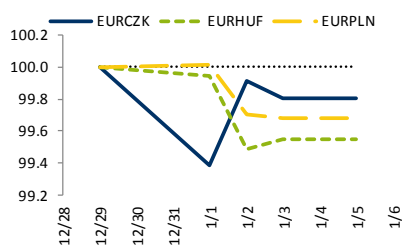




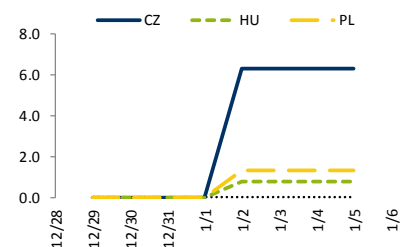
Friday, 05 January 2018

## Forex markets (index)



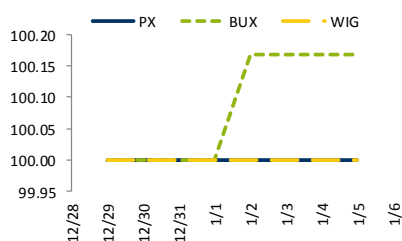
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.49	25.49	0.00
EURHUF	309.2	309.2	0.00
EURPLN	4.162	4.162	0.00

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.713	1.713	0.0
HUGB 10Y	2.04	2.04	0.0
PLGB 10Y	3.30	3.30	0.0

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1078.2	1078.2	0.00
BUX	39444	39444	0.00
WIG	63746	63746	0.00

## Regional insights

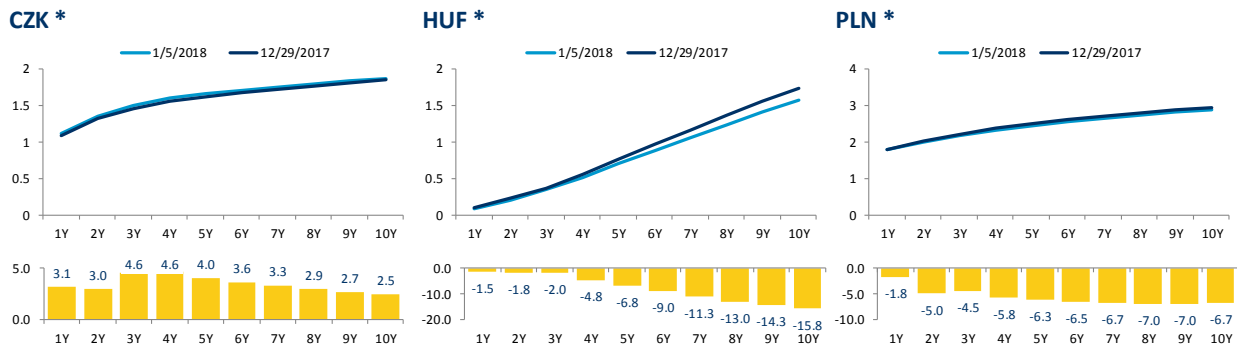
## Forint and Hungary's labor market in a bullish mode

The Hungarian forint started the year with an aggressive strengthening against the euro, but it was driven by more a regional and global market sentiment than by any specific Hungarian one. In this respect that **we think that the NBH's loose monetary policy (they increased further the HUF liquidity on the market and will start the swap tenders in two weeks' time)** may stop the forint strengthening, while from the technical point of view there is strong resistance level at around EUR/HUF 307 and 305 levels.

**Further unorthodox monetary easing might delivered by the NBH despite strong figures coming from the Hungarian labor market. The unemployment rate fell on new all-time low level of 3.8% in the period of September-November**, while the employment rate increased to 59.8%. Positive news is that the rise of employment came fully from the domestic primary market, while less people were working in the public work program and abroad. The negative news is that the number of people in the working age decreased further, so although less people were active in the September-November period than a months before, the activity rate didn't moderate further.

We still think that the number of employees in the public work program is too high, and the normal level should be roughly 130 thousand less. If we adjust the labor market figures with this number, the unemployment rate would be higher by 2.8%pt (6.6% vs 3.8%) and the employment rate lower by 1.8%pt (58% vs. 59.8%) or the activity rate would be less by this 1.8%pt (60.4% vs. 62.2%), but in that case the unemployment and employment rate would be the same as it is now. The economic outlook is still very favourable for Hungary in the next 12 months, so we expect that the labour market may remain very tight. Although we see chance for further move of labor force from public work program and from abroad workers into the domestic primary market, we think that it is a slow process as in the former case education also required for the restructuring. **It means that the wage growth dynamic may remain elevated around 10% Y/Y in 2018** as well and the unemployment rate may moderate by around 0.2-0.3%pt further till the end of 2018.

## 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
HU	9:00	PPI	%			1	4.5			1	4.5

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