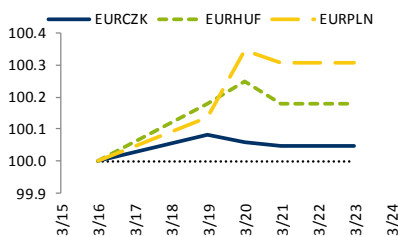




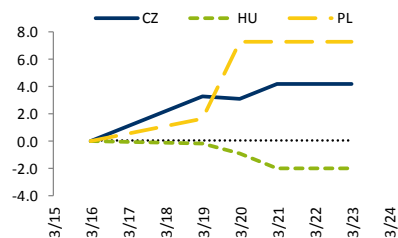
Friday, 23 March 2018

## Forex markets (index)



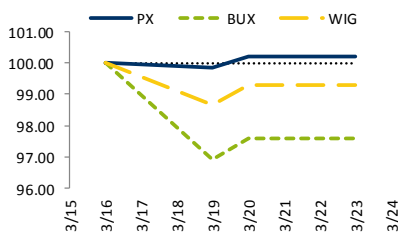
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.42	25.42	0.00
EURHUF	311.3	311.3	0.00
EURPLN	4.229	4.229	0.00

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.931	1.931	0.0
HUGB 10Y	2.57	2.57	0.0
PLGB 10Y	3.32	3.32	0.0

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1120.8	1120.8	0.00
BUX	37954	37954	0.00
WIG	59960	59960	0.00

## Regional insights

## Hungary's current account continues to narrow

The Hungarian central bank released final balance-of-payments statistics, which showed that *Hungary's current account surplus narrowed more than expected from EUR6.9bn (6.1% of GDP) in 2016 to EUR3.6bn (3.2% of GDP) in 2017. Both the trade balance and income balance deteriorated and this trend might continue in 2018 as well.* The financing capability of the country also fell substantially. It means that the appreciation pressure on the HUF is moderating. As the NBH still support relatively weak HUF it means that they don't have to keep on as loose monetary policy as in previous years.

Looking ahead in Hungary, the NBH meeting scheduled for next Tuesday will be in focus. The National Bank of Hungary may keep rate setting meeting next Tuesday and we expect no change of key monetary policy rates. More interesting that what will be the stance of the statement and what will be the new targeted average liquidity crowded-out for the second quarter.

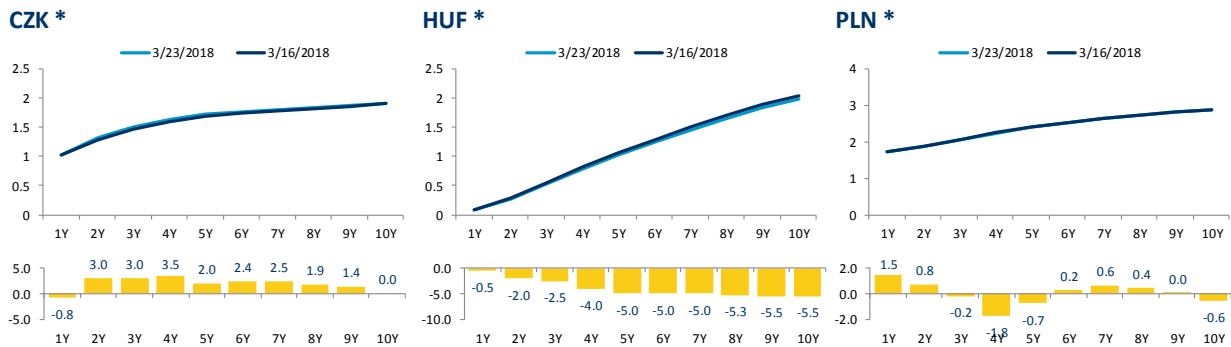
The latest macro figures suggest that the NBH's tone might be quite neutral. On the one hand inflation moderated to 1.9% YoY in February, which was slightly below the expectations, but it was driven mainly by base effect and it might be the deepest read of CPI in 2018. On the other hand the wage dynamic showed 13.8% YoY increase in January which was above the expectation. The fast increase was driven by the rise of minimum wage, the lack of labor force in some sectors (like telecommunication or manufacturing) and the wage development in the budgetary sector (the government increases the salaries before the election). We saw higher wage dynamic for the physical workers.

The international environment is also calling for more cautious monetary policy. The FED continued its tightening. Trump's decisions of introduction some tariffs on import unfavorable for Hungary, as the growth highly depends on the export and so a trade war may deteriorate Hungary's economic outlook.

*Last but not least, we also expect the NBH to keep HUF liquidity unchanged on the market in the following weeks, which might be followed by some liquidity withdraw especially from 3Q18, which may result some modest increase of interbank interest rates.*

David Németh, K&amp;H

## 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	8:30	Current account	HUF B 4Q/2017			197		885		806	
PL	10:00	Unemployment rate	% 02/01/2018					6.8		6.9	
PL	17:00	Review rating - Moody's	A2 1st revision								

## Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		<b>Brussels</b>		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
			Institutional Desk		+32 2 417 46 25
<b>Dublin Research</b>			France		+32 2 417 32 65
Austin Hughes	+353 1 664 6889		London		+44 207 256 4848
Shawn Britton	+353 1 664 6892		Singapore		+65 533 34 10
<b>Prague Research (CSOB)</b>			Prague		+420 2 6135 3535
Jan Cermak	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Petr Dufek	+420 2 6135 3560				
<b>Bratislava Research (CSOB)</b>			Bratislava		+421 2 5966 8820
Marek Gabris	+421 2 5966 8809				
<b>Budapest Research</b>			Budapest		+36 1 328 99 85
David Nemeth	+36 1 328 9989				

ALL OUR REPORTS ARE AVAILABLE VIA OUR KBC RESEARCH APP (iPhone, iPad, Android)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

