

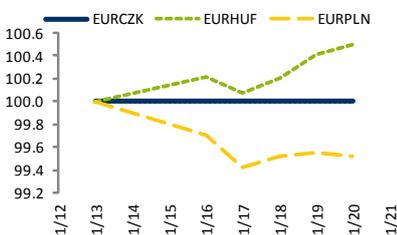


Central European Daily

Friday, 20 January 2017

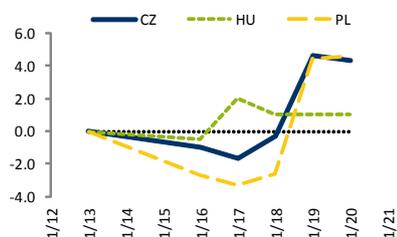
Regional Overview

Forex markets (index)



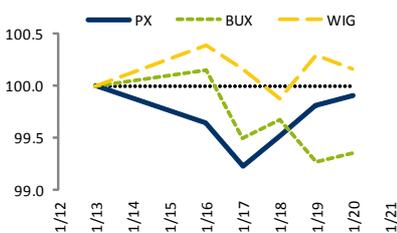
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	0.00
EURHUF	308.7	308.4	0.08
EURPLN	4.367	4.369	-0.03

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.369	0.372	-0.3
HUGB 10Y	3.43	3.43	0.0
PLGB 10Y	3.69	3.69	0.1

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	929.5	928.7	0.09
BUX	32736	32709	0.08
WIG	53584	53655	-0.13

Macro, FX & Rates: Wage growth accelerates in Hungary

(HU) Macro: Growth of Hungarian average gross earnings accelerated in November 2016 as they reached HUF 285,800, 8.2% more than one year before. The main question what will be the reaction of the National Bank of Hungary on the increasing inflation and especially on the jumping wage pressure. The lack of labour force in the Hungarian economy and the lowered tax wedge kept net real salary increase above 7% in 2016 and although we have no statistical figure for 2017 yet, we cannot exclude an even higher wage growth for this year. Taking in account the latest statements of the Council we expect that NBH may emphasize that the inflation may only gradually return to the 3% inflation target till the end of 2018 as the inflation expectations are still anchored.

Additionally the ECB's statement yesterday, that it doesn't plan to change its monetary policy despite of jumping inflation also supports NBH's loose monetary policy. And we have to emphasize that NBH is still would like to avoid a massive HUF strengthening so we expect that NBH won't step towards the monetary tightening before ECB does it.

(CZ) Macro: The Czech national bank has entertained another verbal intervention against hot money inflows betting on stronger CZK after the exit from the current regime. This time it was CNB's Governor Rusnok. In his interview for MFD Daily he said that he could not entirely rule out using highly negative interest rates, but the likelihood (of using it) is relatively low. We still consider negative official rates as a tail-risk scenario at a time when the CNB will probably scrap the EUR/CZK floor (in the 2nd quarter, but almost definitely not in the 1st quarter of 2017).

Equities: Czechs approved a ban on smoking in bars

(CZ) TABAK: The Upper House of the Czech Parliament approved yesterday the ban on smoking in restaurants and other public places. Only the president's signature is needed for it to take effect at the end of May. He already mentioned that he will not veto it. We think the cigarette market will fall by some 3-5% in the Czech Republic and the PM CR's total shipment would thus decline by some 1.5-2.5%. Note that PM CR is currently trading close to its 10Y high's and this could trigger at least partial profit taking in months to come...

(CZ) CEZ: CEZ plans to sell its Slovakian retail unit. The unit has 70ths customers. /NEUTRAL. The unit generates some CZK 40mn net profit, the selling price thus likely to be in the hundreds of mil-lions CZK (ie around CZK 1/shr).

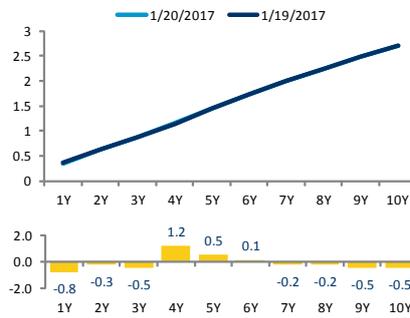
(HU) MOL: Foreign Minister SZIJARTO said that CRO bid for INA shares must cover MOL's investment (MTI). / This means CRO must pay about \$1.8-2B for MOL's stake, selling HEP's 25% will not cover their cost.

Interest-rate Swap Curves

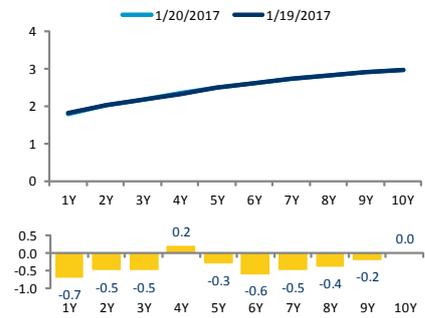
CZK *



HUF *



PLN *



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

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	Wages	% ytd							8.2	6.2	5.4
CZ	17:00	Review rating - S&P	AA-	1. revize								

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