



Central European Daily

Thursday, 28 January 2016

Headlines

Currencies		% chng
EUR/CZK	27.02	0.1
EUR/HUF	313.9	0.7
EUR/PLN	4.48	0.7
EUR/USD	1.09	0.2
EUR/CHF	1.11	0.0

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.12	-0.01	0.36	-0.12
EUR/PLN		0.28	0.48	0.14
EUR/HUF			0.14	-0.11
EUR/USD				0.36

correlations of 30 min changes
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.29	0
HUF	1.31	-4
PLN	1.57	0
EUR	-0.24	1

GB	%	bps chng
Czech Rep. 10Y	0.68	0
Hungary 10Y	3.72	35
Poland 10Y	3.21	-4
Slovakia 10Y	0.75	1

CDS 5Y	%	bps chng
Czech Rep.	48	0
Hungary	162	0
Poland	90	0
Slovakia	47	0

Source: Reuters

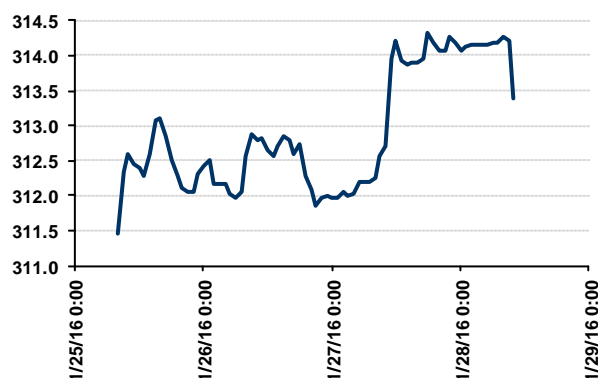
The Hungarian labor market looks to be quite tight

Although the Hungarian assets prices and exchange rate were relatively stable in the last couple of weeks, despite the uncertain global sentiment. The same holds for the forint, since the EUR/HUF has been still traded between 311 and 315 in the last week. Now, it looks like now that the EUR/HUF might return in the range of 309 and 316. Further forint's moves will, however, depend on central banks.

As concerns the NBH, it left its base rate unchanged at 1.35% on Tuesday. The Monetary Council left the door open for further loosening, but they highlighted that rather the unconventional tools will be used than a rate cut. In this respect the first interesting meeting might be the March one as both ECB's (10th March) and FED's (16th March) meeting will be held before the Hungarian one (22nd March). **In case the ECB increases the monetary stimulus and the Fed will take more time before tightening again (it looks for a status quo at the March and even April meeting), the NBH might change slightly the monetary conditions as well.** Our base case scenario is still no base rate change in this year. But the dovish stance of ECB's, FED's and NBH's statements may push down slightly the Hungarian government bond yields in the coming weeks by 20bp.

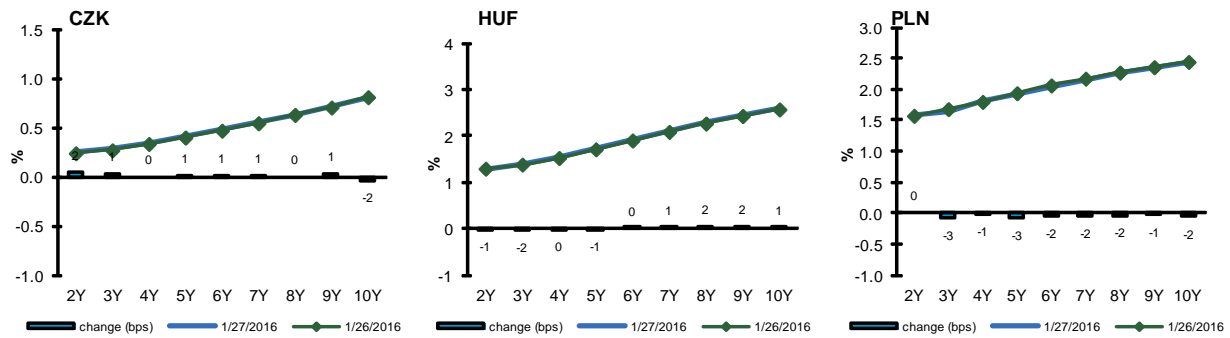
Meanwhile, the Hungarian labor market looks to be quite tight, which suggest that the wage growth may have to accelerate in 2016, creating strong domestic demand. According to the Hungarian Statistical Office the unemployment rate was 6.2% in 2015Q4, while the employment rate (ER) was 56.6%. It means that the unemployment rate moderated by 0.9%pt, while employment rate increased by 1.8%pt in 2015. The half of the new workplaces was created by the government (public forced work program) and the other half by the private sector.

EUR/HUF



The EUR/HUF has been still traded between 311 and 315 in this week.

Interest-rate Swap Curves



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	0:00	Earnings Unipetrol	CZK 4Q/2015								
PL	0:00	Earnings PKN Orlen	PLN 4Q/2015								
HU	9:00	Unemployment rate	% 12/2015			6.2		6.3		6.2	

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