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# Daily Report

### Summary

- Raising the Fed Funds rate by 25 basis points, the Fed acted as expected.
- The USD weakened; the 10Y US yield was three bps down.
- The BUX outperformed its regional peers.
- The ECB's last rate-setting meeting this year is expected to leave the key policy rate on hold.

The most important event of the day, the rate-setting meeting of the FOMC (Fed Open Market Committee) lifted the benchmark rate by 25 basis points, to 1.25%-1.5%, with 7:2 voting rate. In line with market expectations, the Fed anticipates three interest rates hikes in 2018, by 25 basis points each time, and revised next year's growth outlook upward, to 2.5% year/year. Central bankers left their inflation forecast at 1.9% and neither did they change the reversal of asset purchases. Looking forward, US debt rate was identified as systemic risk. The last rate-setting meeting of the current board will be in January.

The Fed's decision did not move overseas markets; the major indices achieved modest gains, except the S&P500, which sank into the red at the end of the day. Following the Fed's press briefing, investors hit the financial sector's stocks.

Ending a whole day of ailing, all key stock markets in Western Europe suffered losses on Wednesday.

The Fed's decision weakened the US dollar, sending the EUR/USD 0.7% higher, and lifting the USD/JPY by 0.9%.

The forint retreated 0.2% against the single European currency, driving the EUR/HUF above the 314 line, while the greenback's sharper loss pushed the USD/HUF 0.5% down. The US 10Y yield sank three basis points, to 2.37%. Yields on the secondary market of Hungarian short-term government securities inched down while the long end of the yield curve edged up. Wednesday's drop led the 3M and the 12M yields into negative territory.

The Budapest Stock Exchange outperformed its peers in the CEE regions yesterday. MTelekom was the only blue chip to close in the red. MOL (+1.8%) was the strongest performer. OTP informed that under its remuneration policy, it had sold 3,449 own shares on 12 December 2017.

Crude oil futures fell deeper yesterday. Precious and industrial metal prices headed higher, with the exception of tin (-1.9%), which continued its losing streak.

Asia's indices were seen in the red ahead of the close this morning. In a surprise move, the People's Bank of China lifted its short-term interest rates.

Following the Fed's similar event, the ECB Governing Council will hold this year's last rate-setting meeting today; it is expected to leave borrowing and deposit rates unchanged.

	Stocks				Bonds				Commodity & FX			
	Product name	Close	Daily change (%)	YTD (%)	Product name	Yield	Daily change*	YTD*	Product name	Close	Daily change (%)	YTD (%)
Global	S&P500	2662,9	0,0	18,9	VIX	10,2	2,6	-27	WTI	56,79	-1,1	5,7
	DOW	24585,4	0,3	24,4	US 2Y	1,78	-4,9	58	Brent	62,44	-1,4	9,9
	Nasdaq100	6394,7	0,2	31,5	US 10Y	2,35	-5,4	-8	Gold	1255,4	1,0	9,0
	DAX	13125,6	-0,4	14,3	GER 2Y	-0,74	0,0	5	Silver	16,06	2,2	0,8
	CAC40	5399,5	-0,5	11,0	GER 10Y	0,32	0,3	11	EUR/USD	1,1825	0,7	12,5
	FTSE 100	7496,5	-0,1	5,0	PT10Y	1,86	3,8	-190	EUR/GBP	0,8811	-0,1	3,4
	FTSE MIB	22400,2	-1,4	16,5	IT 10Y	1,78	7,6	-4	EUR/NOK	9,8441	0,5	8,3
	Stoxx600	390,7	-0,2	8,1	SP 10	1,49	2,8	10	USD/CAD	1,2813	-0,4	-4,6
	- Banks	164,2	0,1	22,4	ITRAXX	47,7	0,8	-34	AUD/USD	0,7636	1,0	5,8
	Nikkei 225	22694,5	-0,3	18,7	JPY 2Y	-0,15	-0,1	2	USD/JPY	112,53	-0,9	-3,7
	SSEC	3368,8	2,0	8,5	JPY 10Y	0,05	0,1	0	GBP/USD	1,3418	0,8	8,8
Regional	RTS	1141,5	-0,7	-0,9	RUS10	7,62	0,0	-9	USD/RUB	58,525	-1,1	-4
	WIG20	2409,46	-0,2	23,7	POL 10	3,24	-0,2	-11	EUR/PLN	4,2158	0,2	-4,3
	PX50	1059,9	0,0	15,0	CZ10	1,42	0,0	205	EUR/RON	4,6300	0,1	2,1
Hungary	BUX	38228	0,6	19,5	3M TB	0,03	0	-13	EUR/HUF	314,39	0,2	1,8
	OTP	10285	0,0	22,4	1Y	0,06	0	-12	USD/HUF	265,76	-0,5	-9,5
	MOL	2987	1,8	15,8	3Y	0,65	2	-22	CHF/HUF	269,47	0,0	-6,4
	MTelekom	461	-1,3	-7,4	5Y	1,23	3	-54	PLN/HUF	74,530	0,0	6,4
	Richter	6415	0,2	3,3	10Y	2,20	3	-101	GBP/HUF	356,42	0,2	-1

\* In the case of bond yields, the change is in basis points instead of percentage (VIX and ITRAXX not included).

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2017 12. 12. 10 : 30	UK	Inflation (yoy, %)	Nov.	3,1	3,0	4,1
10 : 30	UK	Core inflation (yoy, %)	Nov.	2,7	2,7	2,7
11 : 00	DE	ZEW Economic Sentiment (points)	Dec.	17,4	17,3	18,7
20 : 00	US	Federal budget balance (USDbn)	Nov.	-139	-	-63,0
13. 8 : 00	DE	CPI (final, yoy, %)	Nov.	1,8	1,8	1,8*
9 : 00	HU	Industrial production (second estimate, yoy, %)	Oct.	7,6	-	7,6*
11 : 00	EZ	Industrial production (mom, %)	Oct.	0,2	0,0	-0,6
14 : 30	US	CPI (yoy, %)	Nov.	2,2	2,0	2,0
14 : 30	US	CPI (mom, %)	Nov.	0,4	0,3	0,1
14 : 30	US	core-CPI (yoy, %)	Nov.	1,7	1,7	1,8
14 : 30	US	core-CPI (mom, %)	Nov.	0,1	0,2	0,2
20 : 00	US	Interest rate decision (%)	Dec.	1,25-1,5	1,25-1,5	1-1,25
14. 1 : 30	JP	Nikkei Manufacturing PMI (points)	Dec.	54,2	-	53,8
3 : 00	CN	Infrastructural spending (yoy, %)	Nov.	7,2	7,2	7,3
3 : 00	CN	Industrial production (yoy, %)	Nov.	6,1	6,0	6,2
3 : 00	CN	Retail sales (yoy, %)	Nov.	10,2	10,2	10,0
9 : 00	FR	Markit Service PMI (points)	Dec.		59,9	60,4
9 : 00	FR	Markit Manufacturing PMI (points)	Dec.		57,2	57,7
9 : 30	DE	Markit Service PMI (points)	Dec.		54,6	54,3
9 : 30	DE	Markit Manufacturing PMI (points)	Dec.		62,1	62,5
10 : 00	EZ	Markit Service PMI (points)	Dec.		55,8	56,2
10 : 00	EZ	Markit Manufacturing PMI (points)	Dec.		59,7	60,1
10 : 30	UK	Retail sales (mom, %)	Nov.		0,4	0,3
13 : 00	UK	Interest rate decision (%)	Dec.		0,5	0,5
13 : 45	EZ	Interest rate decision (lending rate, %)	Dec.		0,0	0,0
13 : 45	EZ	Interest rate decision (deposit rate, %)	Dec.		-0,4	-0,4
14 : 30	US	Retail sales (mom, %)	Nov.		0,3	0,2
15 : 45	US	Markit Service PMI (points)	Dec.		55,0	54,5
15 : 45	US	Markit Manufacturing PMI (points)	Dec.		54	54
16 : 00	US	Business inventories (mom, %)	Oct.		-0,1	0,0
15. 9 : 00	HU	Construction output (yoy, %)	Oct.		-	24
14 : 30	US	New York Fed Manufacturing index (points)	Dec.		19,3	19,4
15 : 15	US	Industrial production (mom, %)	Nov.		0,4	0,9

\*preliminary data

Source: Reuters, OTP Research

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