

Eyeopener – Awaiting Bernanke's speech

17 July 2012

- **Slight decrease of optimism, markets awaiting hint on QE3 from Fed governor**
- **Zloty and Polish bonds still strong**
- **Today, domestic labour market data, German ZEW, US inflation and production, Bernanke's testimony**

The market sentiment cooled slightly on Monday, but positive moods were still dominant. However, a couple of European stock markets were in the red as investors were concerned about economic slowdown's influence on companies' results. Some uncertainty was added by statement of the German constitutional court, which announced that it will release its decision on ESM ratification on 12 September. Still, the market did not see a strong sell-off of risky assets, among others due to hopes that Ben Bernanke will suggest further Fed' economic stimulus in his today's testimony before Congress. Financial results of enterprises (e.g. Citigroup) were also positive. On the other hand, data on retail sales in the USA proved to be worse than expected. The International Monetary Fund published its new forecasts of economic growth in world's biggest economies. Forecast of global growth in 2012 was not changed (3.5%), but forecast for 2013 was revised downward (to 3.9% from 4.1%). This revision was justified by prolonging crisis in the euro zone and its impact on emerging markets' condition. Forecasts were also cut for the euro zone (-0.3% in 2012 and 0.7% in 2013), USA (2.0% in 2012 and 2.3% in 2013) and China (8.0% in 2012 and 8.5% and 2013). On the other hand, forecast for Germany was lifted (by 0.4pp to 1.0%) for 2012, but slightly lowered for 2013 (by 0.1pp to 1.4%). Today in the morning the Moody's informed that it cut ratings of 13 Italian banks and financial institutions, following recent downgrade of the country's sovereign rating. Still, Asian bourses managed to show slight increases, as they were supported by expectations about Fed president's speech and announcement of the Chinese government, which is to launch a programme of railway infrastructure investments in order to revive the growth.

EURUSD was decreasing during first part of the day, euro was losing as a result of fears about debt problems in the euro area. The inversion of this trend occurred after the release of US retail sales data. EURUSD bounced 1,218 (session minimum) and glided close to 1.224, slightly above opening level. Overnight EURUSD was continuing the gradual increase and in the morning amounts to 1.2280. US industrial output data and German ZEW index may be important for today's EURUSD. Moreover, investors will pay attention to the speech of Fed's chief Ben Bernanke in Congress, in which they will look for signals of possible further actions of the FOMC, among others information about QE3. 1.2160 and 1.233 are key levels for today.

During first part of the day EURPLN oscillated around 4.191. In the afternoon zloty started to appreciate and EURPLN decreased to ca. 4.176, but came back above 4.18 after release of US data which were weaker than expected. At the day's end EURPLN was close to 4.185. On the other hand USDPLN's oscillations were limited by levels of 3.412 and 3.4405 (session minimum). Zloty remains under influence of global factors. Today's release of labour market data may in short-run have impact on quotations of Polish currency. 4.174 and 4.215 are significant levels for EURPLN.

Domestic debt market slightly strengthened on Monday, yields decreased by ca. 2bp along the curve. FRA market also recorded small decrease of rates. On the other hand stronger changes occurred on the IRS market, especially in the middle and in long-end (10Y rate fell by 5bp). Today the Ministry of Finance will announce the details of Thursday's auction of OK0714 (PLN 2.0-5.0bn – planned bid). Labour market data, which are released today, should not surprise, consequently their influence on the market will be limited.

According to the Ministry of Finance, budget deficit after June amounted to PLN20.9bn, i.e. 59.8% of the annual plan. Budget revenues were much higher than planned in the schedule (PLN141.9bn as compared to PLN133.6 in the schedule), which is mainly due to payment of NBP profit (ca. PLN8bn). Expenditure proved to be slightly lower than planned (PLN162.8bn vs planned PLN164.4bn), which altogether translated into lower-than-planned realisation of deficit (PLN30.8bn). A quite low realisation of indirect tax receipts (45.9% of the annual plan) seems to be a sign of weakening economic activity.

Today at 14:00 CET the labour market data will be released. We expect a continuation of negative tendencies. We forecast that the growth of employment in corporate sector slowed down to 0.1% YoY in June from 0.3%YoY in May. In our opinion the number of workplaces will slightly increase in monthly terms (for the first time since January), which is in line with the seasonal pattern, but the increase will be the weakest one in last few years because of the slowdown abroad and poor condition in construction sector. According to our forecasts the increase of wages in corporate sector in June remained at the May's level (3.8%YoY), what together with the CPI inflation increase 4.3% YoY and weak employment growth means negative increase of wage bill in corporate sector (-0.4%YoY), what supports our forecast of weakening consumer demand in Q2.

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F/X rates (today's opening)

EURUSD	12280	CADPLN	3.3561
USDPLN	3.4036	DKKPLN	0.5618
EURPLN	4.1804	NOKPLN	0.5592
CHFPLN	3.4799	SEKPLN	0.4840
JPYPLN*	4.3113	CZKPLN	0.1648
GBPPLN	5.3254	HUFPLN*	14501

*for 100JPY/100HUF

Financial market review - 16.07.2012

The zloty trading ranges

	min	max	open	close	fixing
EURPLN	4.1736	4.1989	4.1945	4.1888	4.1939
USDPLN	3.4077	3.4443	3.4290	3.4226	3.4353
EURUSD	12173	12247	12234	12239	-

T-bonds

Bond (term)	Yield (%)	Change (bp)	Last auction	Average yield
OK0114 (2Y)	4.54	-2	14.03	4.535
PS0417 (5Y)	4.56	-2	20.06	4.784
DS1021(10Y)	4.88	-2	10.05	5.349

IRS rates (M id)

TERM	PL		US		EA	
	%	Change (bp)	%	Change (bp)	%	Change (bp)
1L	4.92	2	0.43	-2	0.69	-1
2L	4.65	2	0.45	-3	0.68	-1
3L	4.51	0	0.52	-5	0.76	-1
4L	4.45	-2	0.64	-4	0.89	-2
5L	4.43	-4	0.81	-5	1.06	-2
8L	4.49	-2	1.31	-6	1.54	-2
10L	4.46	-4	1.56	-6	1.76	-2

WIBOR rates

TERM	%	Daily change (bp)
O/N	4.87	2
T/N	4.87	1
SW	4.84	1
2W	4.85	0
1M	4.91	0
3M	5.12	-1
6M	5.16	0
9M	5.16	0
1Y	5.16	0

FRA rates (M id)

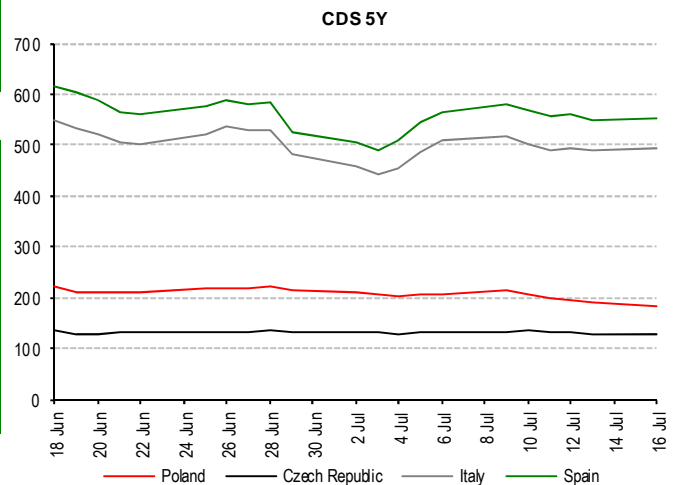
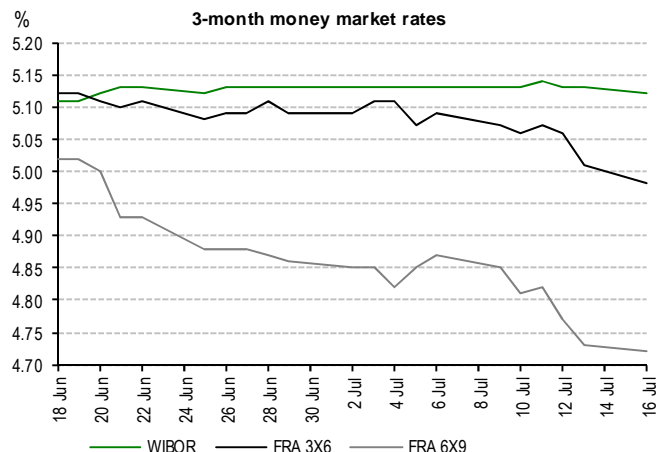
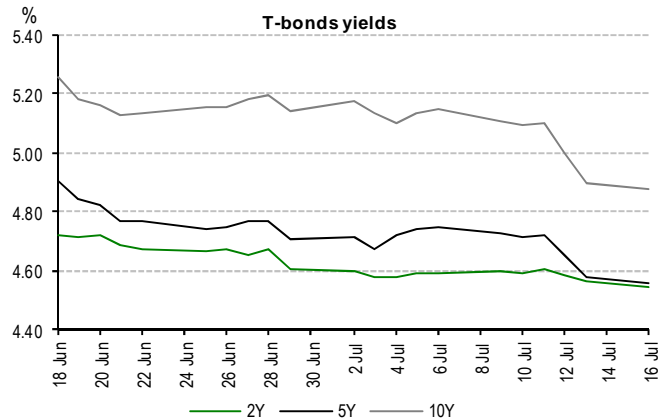
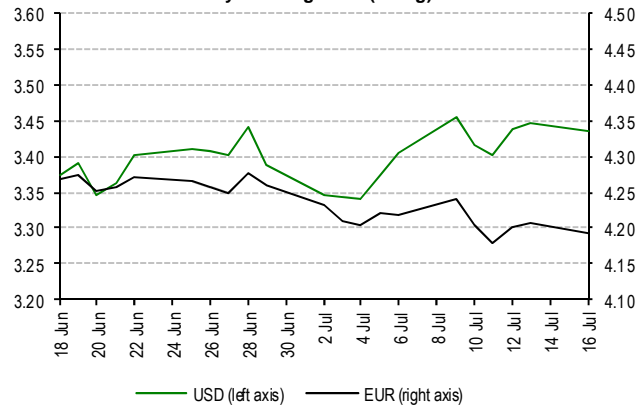
TERM	%	Daily change (bp)
1x2	4.94	2
1x4	5.11	-1
3x6	4.98	-3
6x9	4.72	-1
9x12	4.52	0
3x9	4.97	-1
6X12	4.70	1

Measures of fiscal risk

Country	CDS 5Y		Spread 10Y*	
	Value	Change (bp)	Value	Change (bp)
Poland	184.4	-4	3.67	3
Czech Republic	128.4	0	1.25	4
Hungary	477.2	-19	6.22	-26
Greece	37030.5	0	23.46	-62
Spain	550.6	3	5.58	21
Italy	493.0	3	4.94	22
Portugal	825.9	-19	9.40	-16
Ireland	540.5	-2	5.07	2
Germany	78.6	-4	--	--

* 10Y treasury bonds over 10Y Bunds

Zloty exchange rate (fixing)



Source: Reuters

Economic calendar

Time CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
FRIDAY (13 July)								
3:30	CN	GDP	Q2	%YoY	7.6	-	7.6	8.1
14:00	PL	CPI	Jun	%YoY	4.1	4.4	4.2	3.6
14:00	PL	Money supply	Jun	%YoY	11.5	11.6	11.1	11.4
14:00	PL	Exports	May	€m	12 076	12 196	12088	11 622
14:00	PL	Imports	May	€m	12 605	12 811	13021	12 020
14:00	PL	Balance of payments	May	€m	-258	-246	-815	-713
15:55	US	Flash Michigan index	Jun	pts	73.5	-	72.0	73.2
MONDAY (16 July)								
11:00	EZ	HICP	Jun	%YoY	2.4	-	2.4	2.4
13:30	US	Retail sales	Jun	%MoM	0.1	-	-0.5	-0.2
TUESDAY (17 July)								
11:00	DE	ZEW index	Jul	pts	-20.0	-		-16.9
14:00	PL	Wages in corporate sector	Jun	%YoY	3.5	3.8		3.8
14:00	PL	Employment in corporate sector	Jun	%YoY	0.2	0.1		0.3
14:30	US	Core CPI	Jun	%MoM	0.2	-		0.2
15:15	US	Industrial output	Jun	%MoM	0.3	-		-0.1
WEDNESDAY (18 July)								
14:00	PL	Industrial output	Jun	%YoY	3.8	1.9		4.6
14:00	PL	Construction output	Jun	%YoY	4.5	2.9		6.2
14:00	US	PPI inflation	Jun	%YoY	4.7	4.8		5.0
14:30	US	House starts	Jun	k	740	-		708
14:30	US	Building permits	Jun	k	755	-		784
THURSDAY (19 July)								
11:00	PL	Auction of OK0714 bond (PLN2.0-5.0bn)						
14:30	US	Initial jobless claims	week	k	365	-		350
16:00	US	Home sales	Jun	m	4.60	-		4.55
16:00	US	Leading indicators	Jun	%MoM	-0.1	-		0.3
FRIDAY (20 July)								
14:00	PL	Core CPI	Jun	%YoY	2.3	2.3		2.3

Source: BZ WBK, Reuters, Parkiet;

** in case of the revision, the data is updated*

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