Bank Zachodni WBK

Eyeopener – Weaker macro data abroad

31 January 2013

- **ECB sees positive impact of market mood improvement on economic situation**
- **... while Fed sees a "pause" in US economic growth and continues quantitative easing programme**
- **EURPLN close to 4.21, USDPLN stable thanks to further rise in EURUSD**
- **Small changes in bond market, pace of decline in money market rates slightly increased**
- **Today, next data from the USA**

The single currency was gaining against the dollar while awaiting the evening's Fed statement. The ECB Governing Council member, Ewald Nowotny announced yesterday that the improvement of moods in the financial markets is slowly translating into real economy. These words may have supported the EURUSD. Flash data on the US GDP in Q4 2012 were clearly worse than expected, but they initially did not cause any major reaction on the FX market (only stock markets reacted negatively to this reading). Details of the yesterday's data showed that the decline of GDP was due to lower defence spending and decline of inventories. Still, contribution and growth rate of consumption have been the highest since Q1 2012. During sessions in the USA and in Asia losses on stock markets maintained. This morning moods were deteriorated by weaker-than-expected data on industrial output in Japan and retail sales in Germany.

The US central bank left monetary policy unchanged, in line with expectations. Statement reads that economic growth in the US "paused" in the last months of 2012 due to temporary factors and distortions caused by weather. At the same time, Fed stressed that spending of US households and fixed investments are on the rise, while situation of the housing market is improving. The planned quantitative easing programme remains unchanged and the message of the statement suggests that it will be maintained until a substantial improvement of labour market conditions is visible.

The EURUSD resumed the upward momentum soon after the beginning of the session. Euro's appreciation to some extent could have been fuelled by comments of member of the ECB Board. At the end of the domestic session the exchange rate was close to 1.357. Reaction to Fed's maintaining the scale of bond purchases was limited – despite the central bank's remarks that the pace of economic revival faded, the Fed did not decide to increase the scale of stimulus. The EURUSD only for a moment approached 1.359 and today in the morning is close to 1.355. Still, in our opinion the room for a deeper decline is limited as worries over soon end of the QE3 have probably weakened as the Fed sees slower pace of economic growth that so far. Vital levels for today are 1.352 and 1.36.

The EURPLN increased yesterday while the USDPLN remained roughly stable (as increases of the EURPLN were neutralized by euro's appreciation versus the dollar). Since the beginning of the today's session the zloty continues to depreciate amid downward correction of the EURUSD and expectations for more rate cuts by the MPC. The EURPLN hovers close to 4.21, just below local peak at 4.212. Futures for European stock indexes are falling, morning's disappointing data on German retail sales (contraction deeper than expected) may put negative pressure on global market sentiment at least at the beginning of the session. If the EURPLN breaks 4.212, then next resistance is around 4.23.

On the domestic debt market the bond curve moved slightly up, but the scale of move and the trade volume was limited. To some extent the weakening of Polis bonds might have been due to higher yields of German bonds. After recent domestic data (retail sales and GDP) the pace of decline of WIBOR rates seems to have inched up again. Since last Thursday the 1M money rate dropped by 6bps. After the yesterday's session the IRS curve is steepest in the 2-10Y segment since early November 2012 (spread at 31bps) and in 5-10Y segment since mid-August 2012 (spread at 28bps). This is due to increase of 10Y yields observed at the beginning of the year.

The NBP governor Marek Belka, one week ahead of the MPC meeting, said in his yesterday's testimony before the Senate that we are in monetary policy easing cycle and one may expect it to be continued. He added that the MPC is consciously conducting a policy of "quite stable interest rates" in 3.50%-4.75% range. Belka reiterated that the NBP is not targeting any specified level or range of exchange rate, but it is ready to act, should volatility on the domestic FX market rise excessively. His words affected neither the PLN nor the debt market.

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F/X rates (today's opening)

EURUSD	1.3555	CADPLN	3.0985
USDPLN	3.1075	DKKPLN	0.5646
EURPLN	4.2125	NOKPLN	0.5668
CHFPLN	3.4113	SEKPLN	0.4890
JPYPLN*	3.4201	CZKPLN	0.1645
GBPPLN	4.9173	HUFPLN*	1.4348

*for 100JPY/100HUF

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The zloty trading ranges

	min	max	open	close	fixing
EURPLN	4.1730	4.2037	4.1836	4.1965	4.1858
USDPLN	3.0865	3.1086	3.0959	3.0924	3.0938
EURUSD	1.3482	1.3577	1.3515	1.3571	-

T-bonds

Bond (term)	Yield (%)	Change (bp)	Last auction	Average yield
OK0714 (2Y)	3.20	1	23.10.12	3.856
PS0418 (5Y)	3.42	2	23.01.13	3.437
DS1023 (10Y)	3.95	1	3.01.13	3.847

IRS rates (Mid)

TERM	PL		US		EA	
	%	Change (bp)	%	Change (bp)	%	Change (bp)
1L	3.51	1	0.34	-1	0.52	2
2L	3.41	0	0.44	1	0.71	4
3L	3.40	1	0.57	0	0.88	5
4L	3.41	-1	0.78	1	1.05	5
5L	3.44	-1	1.04	4	1.23	5
8L	3.63	2	1.73	6	1.69	6
10L	3.72	2	2.07	7	1.93	6

WIBOR rates

TERM	%	Daily change (bp)
O/N	4.14	31
T/N	4.13	11
SW	4.06	1
2W	4.05	0
1M	4.04	-1
3M	3.96	-2
6M	3.92	-1
9M	3.87	-1
1Y	3.82	-1

FRA rates (Mid)

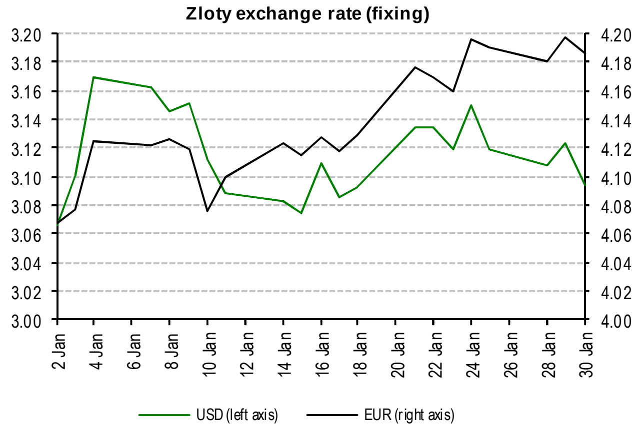
TERM	%	Daily change (bp)
1x2	3.91	2
1x4	3.81	0
3x6	3.50	-1
6x9	3.22	1
9x12	3.13	-3
3x9	3.54	5
6X12	3.25	1

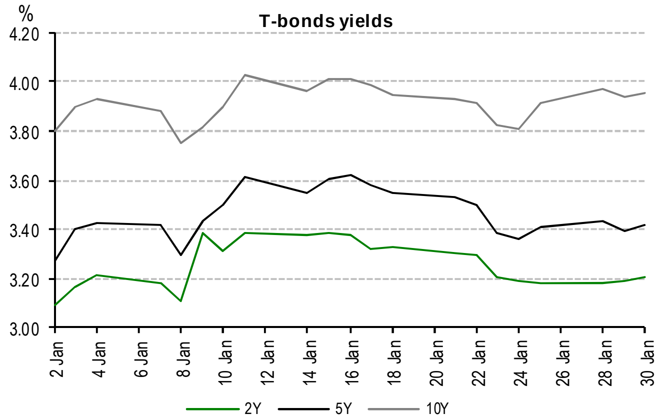
Measures of fiscal risk

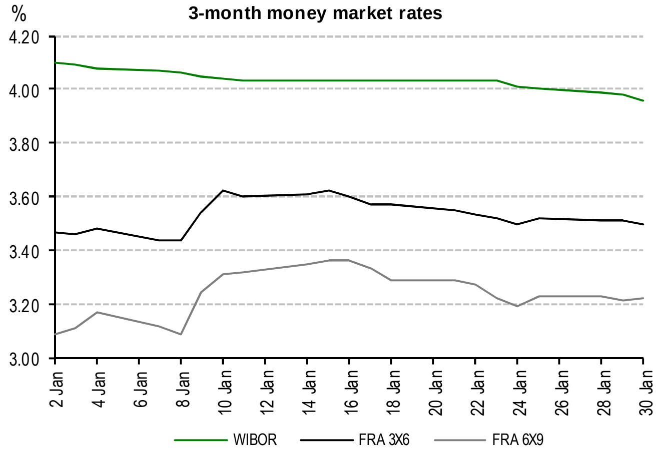
Country	CDS 5Y		Spread 10Y*	
	Value	Change (bp)	Value	Change (bp)
Poland	91.7	5	2.23	-2
Czech Republic	61.5	0	0.29	-1
Hungary	291.2	15	4.79	-6
Greece	37030.5	0	8.72	23
Spain	261.0	3	3.43	-2
Italy	243.5	3	2.49	1
Portugal	378.0	0	4.38	-5
Ireland	187.7	0	2.41	-7
Germany	41.2	0	--	--

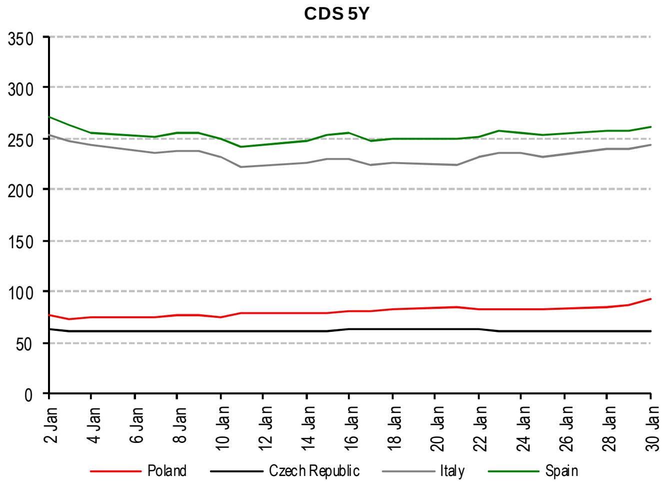
* 10Y treasury bonds over 10Y Bunds

Source: Reuters









Economic calendar

Time CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
		FRIDAY (25 January)						
11:00	DE	Ifo index	Jan	pts	103.0	-		102.4
10:30	GB	Flash GDP	Q4	%YoY	0.2	-		0.0
16:00	US	New home sales	Dec	k	385	-		377
		MONDAY (28 January)						
14:30	US	Durable goods orders	Dec	%MoM	1.7	-	4.6	0.7
16:00	US	Pending home sales	Dec	%MoM	0.6	-	-4.3	1.6
		TUESDAY (29 January)						
10:00	**PL**	**GDP**	**2012**	**%YoY**	**2.0**	**1.8**	**2.0**	**4.3**
15:00	US	S&P/Case-Shiller home price index	Nov	%MoM	0.6	-	0.6	0.6
16:00	US	Consumer confidence index	Jan	pts	64.0	-	58.6	66.7
		WEDNESDAY (30 January)						
14:15	US	ADP report	Jan	k	165	-	192	185
14:30	US	Advance GDP	Q4	%YoY	1.1	-	-0.1	3.1
20:15	US	Fed decision		%	0.0-0.25			0.0-0.25
		THURSDAY (31 January)						
14:00	**PL**	**Inflation expectations**	**Jan**	**%YoY**	**-**	**-**		**3.4**
14:30	US	Personal income	Dec	%MoM	0.8	-		0.6
14:30	US	Consumer spending	Dec	%MoM	0.3	-		0.4
14:30	US	Core PCE	Dec	%MoM	0.1	-		0.0
14:30	US	Initial jobless claims	week	k	350	-		330
		FRIDAY (1 February)						
2:45	CN	PMI – manufacturing	Jan	pts	52.0	-		51.5
9:00	**PL**	**PMI – manufacturing**	**Jan**	**pts**	**48.6**	**49.1**		**48.5**
9:53	DE	PMI – manufacturing	Jan	pts	48.8	-		46.0
9:58	EZ	PMI – manufacturing	Jan	pts	47.5	-		46.1
11:00	EZ	Flash HICP	Jan	%YoY	2.2	-		2.2
14:30	US	Non-farm payrolls	Jan	k	155	-		155
14:30	US	Unemployment rate	Jan	%	7.8	-		7.8
16:00	US	ISM – manufacturing	Jan	pts	50.5	-		50.7

Source: BZ WBK, Reuters, Dow Jones, Bloomberg

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

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