Bank Zachodni WBK

Eyeopener – NBP President has decisive voice

26 April 2013

- **Breeze of optimism from the UK and Germany**
- **MPC voted 5:5 in March, NBP President's voice decided about 50bp rate cut**
- **Zloty little changed, EURUSD slightly up**
- **IRS and debt without major change, big drop in WIBOR rates**
- **Today, important data from the USA**

During the Thursday's session, in contrast to recent days, finally some positive news emerged. Flash data from United Kingdom showed the economy expanded in 1Q2013 at highest pace since 4Q2011, faster than market expected. This data triggered clear appreciation of British pound versus the euro and the dollar – in investors' opinion chances for further easing of monetary policy by the Bank of England faded. Additionally, German government increased the forecast of GDP growth in 2013 from 0.4% to 0.5%. These news initiated slight wave of optimism, which was visible on the European stock exchanges and for some time also on the EURUSD.

The EURUSD advanced yesterday to nearly 1.31 amid inflow of positive news from Europe. Still, at the very end of the session sudden correction to 1.30 occurred. Today in the morning the EURUSD is close to 1.303, the exchange rate is likely to stay in the range of 1.30-1.31 as investors await US data.

The EURPLN and USDPLN increased at the beginning of the session as the momentum from recent days was continued. Consequently, the EURPLN reached temporarily just above 4.16. Just like on Wednesday, the forint was also under pressure vs. the euro. However, morning's move appeared to be only temporary and in the following hours the EURPLN retreated to session opening level. Due to downward correction of the EURUSD, the USDPLN established daily peak at the end of the session. Over the night no major changes occurred, data from the US may be main driver of Polish FX market today. Vital levels for the EURPLN are 4.13 and 4.164.

On the domestic interest rate market the IRS curve steepened – slight increase of the long end of the curve was accompanied by a decline in 2Y tenor. Move down was driven by strengthening expectations for next week's rate cut by the ECB (which could put a pressure on the MPC). Longer rates climbed marginally due to some improvement of global market sentiment. Same factors influenced bond market. 2-10 spread reached 68bps yesterday and is now over 10bps higher than at the beginning of the week. Since October 2012 the spread stays in the range of ca. 45-80bps and if this pattern holds, then spread should continue to rise towards the upper band of this range. All in all, on the IRS and bond market no major changes occurred, session on the WIBOR market was much more interesting. Interbank cost of money for 6-12 months plunged from 6bps to 10bps for longest rate (that is already just above 3%). It shows the market is very seriously pricing-in a rate cut already in May.

Results of the MPC votes, released yesterday, show that March's rate cut by 50bps passed thanks to vote of Marek Belka. He was followed by Andrzej Bratkowski, Elżbieta Chojna-Duch, Anna Zielińska-Głębocka and Jerzy Hausner. What is interesting, the meeting was attended by Zyta Gilowska (for the first time this year). Minutes for the April's MPC meeting showed that according to majority of members the growth rate of GDP will remain moderate in the upcoming quarters, while CPI will run below 1.5%. No motion for a cut was filed in, and this was probably to maintain cohesion of the communication after March decision (necessity to wait for upcoming data, which will determine inflation prospects). In our view the supporters of more easing will probably propose another cut already in May. However, we doubt if there will be a majority to support such a motion. The following months will bring further decline of inflation, while uncertainty about scale and pace of economic recovery will maintain, putting pressure on cuts. Recent comments of Zielińska-Głębocka and Hausner suggest that current data on CPI will also be important. This is somehow contradictory to wording of the NBP governor after April's meeting, when he stated that medium-term prospects are crucial. In general, it seems that vote of the MPC president may again prove crucial in the balance of forces. Any comments of Marek Belka should be taken under scrutiny of the markets, in order to assess chances for a cut in June (or even May). Dovish camp may be also joined by Adam Glapiński, who was rather uneager to support cuts earlier, but one week ago said that there will be some room for cuts in July, provided that circumstances are favourable. All in all, rate cut by 25-50bps until July seems more and more likely. This is still considerably less than the market is pricing-in (100bps). It is worth reminding that Marek Belka said during April's conference that ultra-low interest rates generate risks, which should be avoided.

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FX market

Today's opening

EURUSD	1.3027	CADPLN	3.1305
USDPLN	3.1909	DKKPLN	0.5575
EURPLN	4.1566	NOKPLN	0.5439
CHFPLN	3.3800	SEKPLN	0.4834
JPYPLN*	3.2321	CZKPLN	0.1613
GBPPLN	4.9307	HUFPLN*	1.3797

*for 100JPY/100HUF

Last session 25.04.2013

	min	max	open	close	fixing
EURPLN	4.1433	4.1608	4.1518	4.1485	4.1518
USDPLN	3.1645	3.1947	3.1843	3.1907	3.1792
EURUSD	1.2988	1.3093	1.3039	1.3005	-

Interest rate market 25.04.2013

T-bonds**

Bond (term)	Yield (%)	Change (bp)	Last auction	Average yield
OK0715 (2Y)	2.72	1	23.04.13	2.748
PS0418 (5Y)	2.91	-2	23.04.13	2.889
DS1023 (10Y)	3.40	3	11.04.13	3.515

IRS rates**

TERM	PL %	PL Change (bp)	US %	US Change (bp)	EA %	EA Change (bp)
1L	2.75	-3	0.31	1	0.33	0
2L	2.75	-4	0.37	1	0.39	0
3L	2.79	-1	0.47	0	0.49	1
4L	2.84	-1	0.64	0	0.62	1
5L	2.90	1	0.86	1	0.77	0
8L	3.09	0	1.53	0	1.23	-1
10L	3.20	1	1.87	0	1.50	-1

WIBOR rates

TERM	%	Daily change (bp)
O/N	3.30	2
T/N	3.30	0
SW	3.29	0
2W	3.28	-1
1M	3.25	-2
3M	3.14	-6
6M	3.10	-8
9M	3.08	-9
1Y	3.07	-10

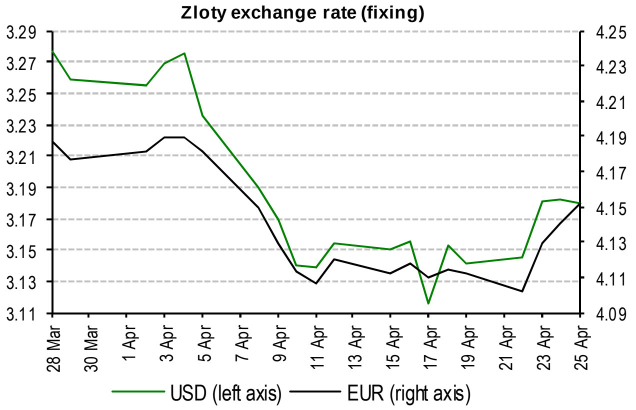
FRA rates**

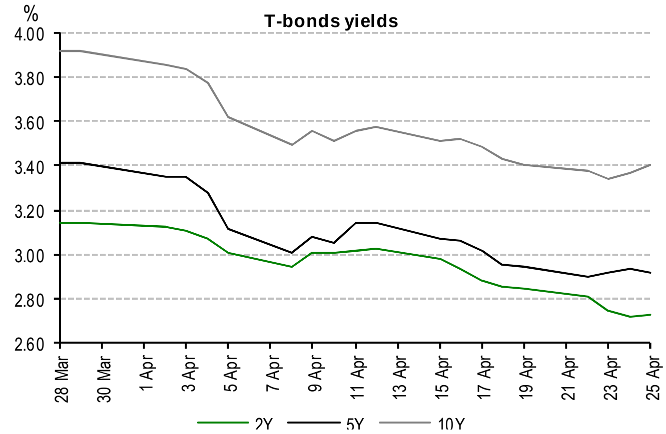
TERM	%	Daily change (bp)
1x2	3.07	1
1x4	2.95	-6
3x6	2.69	-5
6x9	2.54	-3
9x12	2.54	-1
3x9	2.71	-4
6X12	2.56	-3

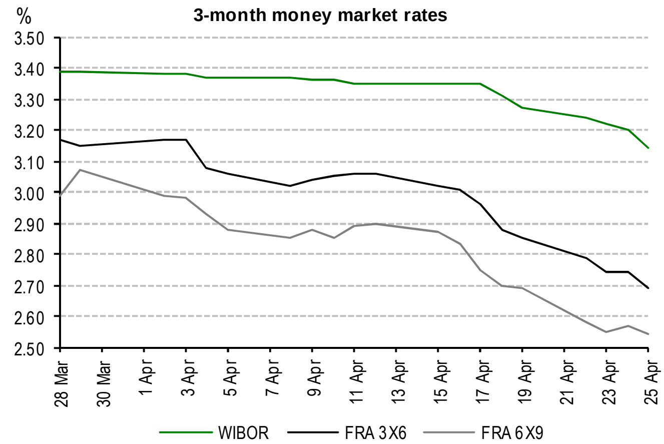
Measures of fiscal risk

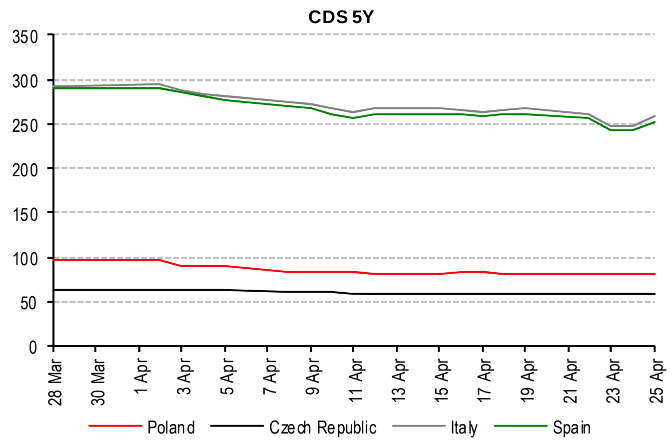
Country	CDS 5Y Value	CDS 5Y Change (bp)	Spread 10Y* Value	Spread 10Y* Change (bp)
Poland	81.3	0	2.16	4
Czech Republic	58.1	0	0.41	-6
Hungary	303.8	-2	4.26	7
Greece	37030.5	0	10.20	18
Spain	251.1	8	3.10	5
Italy	258.8	10	2.86	11
Portugal	373.7	5	4.63	9
Ireland	158.8	2	2.42	12
Germany	34.3	0	--	--

* 10Y treasury bonds over 10Y Bunds









*Information shows mid levels on the interbank market

Source: Reuters

Economic calendar

Time CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST BZWBK	ACTUAL VALUE	LAST VALUE*
		FRIDAY (19 April)						
		No important data releases						
		MONDAY (22 April)						
11:00	**PL**	**Public finance deficit**	**2012**	**% GDP**	**-**	**-**	**-3.9**	**-5.0**
16:00	US	Home sales	Mar	m	5.0	-	4.92	4.95
		TUESDAY (23 April)						
3:45	CN	Flash PMI – manufacturing	Apr	pts	51.5	-	50.5	51.6
9:28	DE	Flash PMI – manufacturing	Apr	pts	49.0	-	47.9	49.0
9:58	EZ	Flash PMI – manufacturing	Apr	pts	46.7	-	46.5	46.8
10:00	**PL**	**Retail sales**	**Mar**	**%YoY**	**0.4**	**0.1**	**0.1**	**-0.8**
10:00	**PL**	**Unemployment rate**	**Mar**	**%**	**14.4**	**14.3**	**14.3**	**14.4**
11:00	**PL**	**Bond auction**						
14:00	HU	Decision of central bank on interest rates		%	4.75	-	4.75	5.0
16:00	US	New home sales	Mar	k	416	-	417	411
		WEDNESDAY (24 April)						
10:00	DE	Ifo index	Apr	pts	106.2	-	104.4	106.7
14:30	US	Durable goods orders	Mar	%MoM	-3.0	-	-5.7	4.3
		THURSDAY (25 April)						
10:30	GB	Flash GDP	Q1	%QoQ	0.1	-	0.3	-0.3
14:00	**PL**	**MPC minutes**						
14:30	US	Initial jobless claims	week	k	351	-	339	351
		FRIDAY (26 April)						
14:30	US	Advance GDP	Q1	%QoQ	3.0	-		0.4
15:55	US	Flash Michigan	Apr	pts	73.5	-		72.3

Source: BZ WBK, Reuters, Bloomberg

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

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