

# Eyeopener – Polish CPI today

15 October 2013

- **Better-than-expected data from the euro zone, investors are awaiting information from the USA**
- **Zloty stronger thanks to the BGK, the euro gains in relation to the dollar**
- **Bond yields and IRS lower**
- **Today domestic inflation in September, earlier German ZEW index**

Closed market in the US did not lead to any smaller volatility during the European trading hours. The uncertainty whether the US policymakers manage to reach an agreement on lifting the debt ceiling continued to put pressure on the dollar. Changes on the stock exchanges were mixed while the domestic currency gained versus the euro. It was rumoured that Polish state-owned BGK bank was active yesterday on the market. August was already the second consecutive month of deterioration of the annual pace of growth of the industrial output in the euro zone – after reaching -0.3% in June, in August it was at -2.1%. Yet before this publication Josef Bonnici, member of the ECB Governing Council, said the central bank is ready to implement negative deposit rate if this proves necessary. Meanwhile, talks in the US gathered pace over the night. Leaders of the Senate – who carry budget negotiations between parties since Saturday – said the US shutdown lasting for already 2 weeks is close to an end and a temporary increase of debt limit is likely to be agreed soon.

EURUSD, after some small and gradual decline from 1.356 to 1.354, recorded in the first hours of trading, surged to nearly 1.36 in the second part of the session. To some extent this was driven by lower liquidity on the market due to absence of the US investors. The dollar was still under pressure of the uncertainty over the outcome of talks in the US. At today's opening EURUSD is close to 1.356. The release of the German ZEW index may have some impact on the market, but more sustained movements may occur probably only after final decisions are taken in the US. Vital levels are still at 1.343 and 1.36.

EURPLN and USDPLN plunged yesterday quite visibly. According to market rumours, the zloty's appreciation versus main currencies was driven by activity of the Polish state-owned BGK bank which was selling euros amid closed market in the US. Consequently, EURPLN declined slightly below 4.18 and USDPLN reached nearly 3.07. The zloty was the sole CEE3 currency that gained yesterday. Forint was under pressure of domestic events – state secretary in the economy ministry, Zoltan Cseflvay, said that the Hungarian government intends to lower the installments of the FX loans considerably. This will happen if commercial banks do not present their proposition to

solve this problem until November. EURHUF surged from 294.4 to 296.3. Today in the morning EURPLN is close to 4.18. Quite good market sentiment, still supported by hopes for a prompt US deal, may support the zloty. We do not expect Polish inflation data to trigger any visible reaction, German figures and information from the US will be most important.

On the domestic interest rate market, 2, 5 and 10Y IRS more than offset their Friday's rises – these rates fell by 3-4bp thanks to strengthening on the bond market. As regards bonds, yields fell by 4-9bp, the stronger zloty was clearly underpinning the debt market. As for the beginning of the week and a day with absence of the US investors, trade volumes were quite decent, especially at the shorter and longer ends. Yesterday asset swap spread in 5Y sector widened from -7bp to -14bp (the highest negative difference since early September). Bond curve flattened, most considerable declines were posted by 2-10 and 2-5Y spreads. WIBOR1-12M were also stable. No important changes occurred on the FRA market, which is still pricing-in that WIBOR3M will rise by 25bp in 9 months' time. Today we will see data on CPI in September, our forecast is slightly above market consensus (1.2%YoY vs 1.1%YoY), but this difference seems too small to generate a more pronounced move. However, a stronger reaction can be observed after data from industry (we are expecting a better reading than the market, release is scheduled for Thursday).

Finance Ministry confirmed yesterday that on Wednesday's auction it will be buying back euro-denominated bonds maturing on 3 February 2014, worth up to €500m.

NBP president Marek Belka said in an interview for Reuters that inflation expectations in Poland are well anchored, so MPC bias should remain neutral. However, Belka did not comment how long should this period of stable rates be. His earlier comments were suggesting that rates may remain stable until mid-2014.

Deputy finance minister, Wojciech Kowalczyk, said yesterday that as a result of the ongoing consultations regarding the draft of the "OFE bill" presented last week, the Ministry of Finance wants to resign after 2 years from the proposition that 75% of pension funds' assets (left after bond transfer from OFE to ZUS) will have to be allocated in stocks. After these 2 years also the benchmark index will be abolished (calculated as 90% of WIG index and 10% of 3M WIBOR).

Today at 14:00CET data on Polish September's CPI is due to be released. We are expecting a slim increase of inflation mainly due to the end of sell-offs of clothes and footwear. Our forecasts are slightly above market consensus.

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## FX market

### Today's opening

EURUSD	1.3565	CADPLN	2.9828
USDPLN	3.0833	DKKPLN	0.5607
EURPLN	4.1820	NOKPLN	0.5156
CHFPLN	3.3884	SEKPLN	0.4773
JPYPLN*	3.1325	CZKPLN	0.1637
GBPPLN	4.9274	HUFPLN*	14.107

\*for 100JPY/100HUF

### Last session

14.10.2013

	min	max	open	close	fixing
EURPLN	4.1777	4.1948	4.1927	4.1825	4.1925
USDPLN	3.0727	3.0951	3.0913	3.0787	3.0936
EURUSD	1.3543	1.3597	1.3563	1.3587	-

## Interest rate market 14.10.2013

### T-bonds\*\*

Bond (term)	Yield (%)	Change (bp)	Last auction	Average yield
OK0715 (2Y)	2.88	-4	23.04.13	2.748
PS0718 (5Y)	3.64	-9	23.04.13	2.889
DS1023 (10Y)	4.35	-8	25.09.13	4.310

### IRS rates\*\*

TERM	PL		US		EA	
	%	Change (bp)	%	Change (bp)	%	Change (bp)
1L	2.81	-1	0.33	1	0.43	0
2L	3.13	-4	0.48	0	0.58	0
3L	3.39	-3	0.76	0	0.79	0
4L	3.61	-3	1.16	0	1.05	0
5L	3.78	-3	1.55	0	1.30	0
8L	4.08	-4	2.43	2	1.89	1
10L	4.18	-3	2.79	2	2.17	0

### WIBOR rates

TERM	%	Daily change (bp)
O/N	2.58	0
T/N	2.58	0
SW	2.55	0
2W	2.57	-1
1M	2.60	0
3M	2.68	0
6M	2.71	0
9M	2.73	0
1Y	2.75	0

### FRA rates\*\*

TERM	%	Daily change (bp)
1x2	2.63	0
1x4	2.72	2
3x6	2.74	0
6x9	2.80	0
9x12	2.92	-1
3x9	2.80	1
6X12	2.89	-1

### Measures of fiscal risk

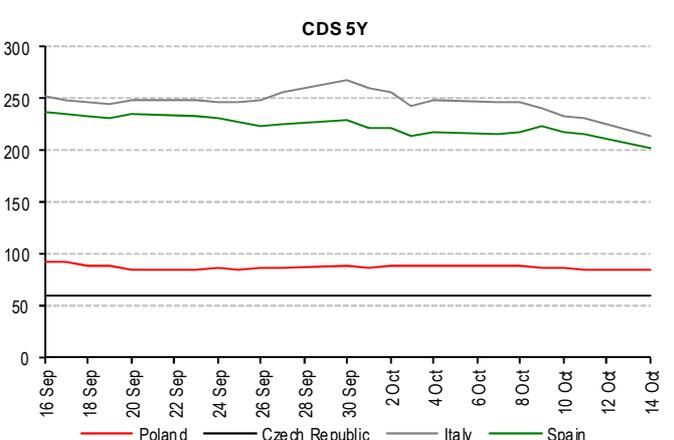
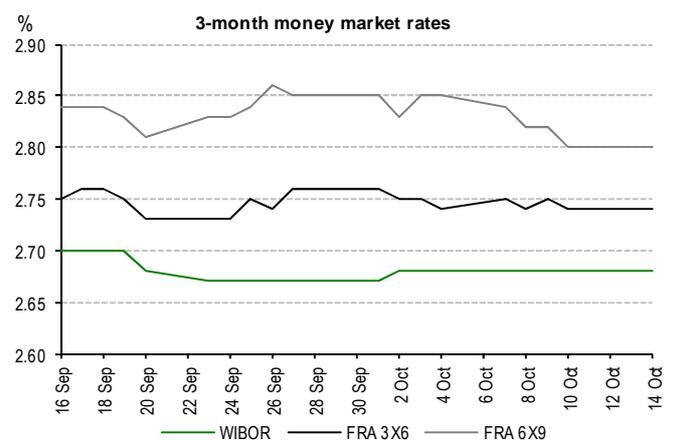
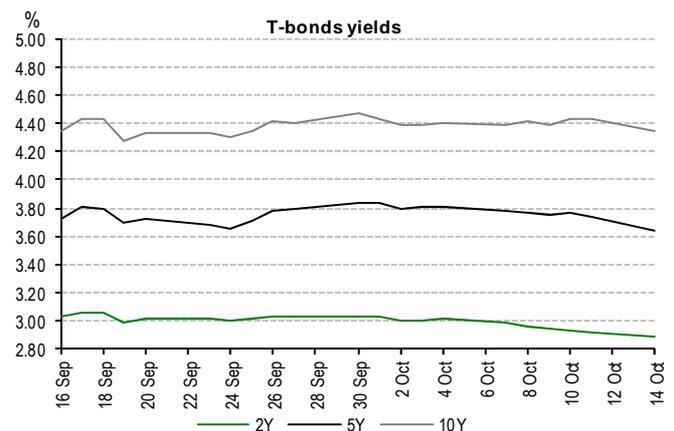
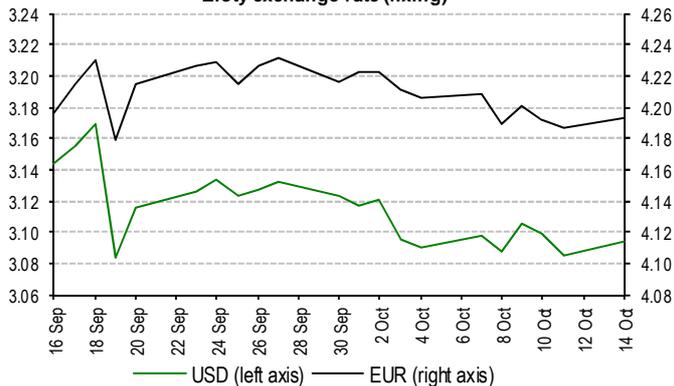
Country	CDS 5Y		Spread 10Y*	
	Value	Change (bp)	Value	Change (bp)
Poland	85.1	0	2.51	-6
Czech Republic	60.3	0	0.62	-1
Hungary	263.1	0	3.85	1
Greece	37030.5	0	7.00	-14
Spain	202.2	-14	2.40	-6
Italy	214.3	-16	2.39	-5
Portugal	388.0	6	4.38	-1
Ireland	133.0	-8	1.82	-5
Germany	22.5	0	--	--

\* 10Y treasury bonds over 10Y Bunds

\*\*Information shows mid levels on the interbank market

Source: Reuters

### Zloty exchange rate (fixing)



## Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
<b>FRIDAY (11 October)</b>								
9:00	HU	CPI	Sep	%YoY	1.2	-	1.4	1.3
14:00	PL	Exports	Aug	€m	12 478	12 300	12 451	13 008
14:00	PL	Imports	Aug	€m	12 150	11 881	12 187	12 833
14:00	PL	Current account	Aug	€m	-230	-244	-719	-497
15:55	US	Flash Michigan	Oct	pts	75.9	-	75.2	77.5
<b>MONDAY (14 September)</b>								
11:00	EZ	Industrial output	Aug	%MoM	0.8	-	1.0	-1.0
14:00	PL	Money supply	Sep	%YoY	6.7	6.6	6.1	6.1
<b>TUESDAY (15 October)</b>								
11:00	DE	ZEW index	Oct	pts	49.6	-		49.6
14:00	PL	CPI	Sep	%YoY	1.1	1.2		1.1
<b>WEDNESDAY (16 October)</b>								
11:00	EZ	HICP	Sep	%YoY	1.1	-		1.3
11:00	PL	Buy-back auction of eurobonds EUR20140203 up to €500m						
14:00	PL	Wages in corporate sector	Sep	%YoY	3.0	3.2		2.0
14:00	PL	Employment in corporate sector	Sep	%YoY	-0.3	-0.3		-0.5
14:00	PL	Core inflation	Sep	%YoY	1.5	1.6		1.4
20:00	US	Fed Beige Book						
<b>THURSDAY (17 October)</b>								
14:00	PL	Industrial output	Sep	%YoY	7.1	7.9		2.2
14:00	PL	Construction and assembly output	Sep	%YoY	-6.0	-3.4		-11.1
14:00	PL	PPI	Sep	%YoY	-1.5	-1.6		-1.1
14:00	PL	MPC minutes						
16:00	US	Philly Fed index	Oct	pts	15.0	-		22.3
<b>FRIDAY (18 October)</b>								
4:00	CN	GDP	Q3	%YoY	7.8	-		7.5
4:00	CN	Industrial output	Sep	%YoY	10.2	-		10.4

Source: BZ WBK, Reuters, Bloomberg

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

\*\* data releases suspended

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