Bank Zachodni WBK

Eyeopener – Markets awaiting new data

21 October 2013

- **Moderate market moods, investors awaiting data from USA**
- **Zloty slightly weaker, EURUSD rise decelerated**
- **Domestic debt market stronger, FinMin to offer on Tuesday bonds OK0116, IZ0823 and DS1023 worth PLN8-12bn**
- **Today, US data about home sales**

Moderately positive market sentiment persisted during the Friday's session on the global market due to temporary agreement on the US budget and decent data on Chinese GDP. On the other hand, investors worried that only temporary fiscal deal in the US will have a negative impact on sentiment of consumers and companies and this will be reflected in weaker economic growth in the world's biggest economy. Stocks and interest rate market gained, while moods on the FX market were rather negative.

Germany is getting closer to establishing a new government. On Sunday the leaders of SPD gave a green light to carry negotiations with CDU and CSU on the coalition. Talks are due to begin on Wednesday.

At the beginning of the Friday's session the euro was appreciating versus the dollar amid worries over the US economic growth. EURUSD reached 1.3703, highest level since February, but in the following hours the dollar recovered and managed even to gain on daily basis versus the single currency. At the end of the session the exchange rate was close to the opening level (1.368) and in the following hours no major changes were recorded. This week vital US data are due to be released (including nonfarm payrolls data scheduled for tomorrow) that may have some market impact. The room for dollar's appreciation is limited by expectations that due to consequences of over 2-week long US government shutdown the FOMC will not taper QE3 in the nearest future. Support and resistance for today is at 1.365 and 1.371.

Zloty did not perform well on Friday, as it was under pressure vs. main currencies for the whole day. EURPLN rebounded from 4.166 to 4.183 and USDPLN from 3.05 to nearly 3.06. The situation on the Czech FX market was similar, EURCZK increased from 25.65 to nearly 25.82, mainly amid worries that Czech central bank will intervene on the market. Forint remained stable versus the euro. After closing of the domestic session, the zloty trimmed earlier loses, however EURPLN did not manage to reach local low at nearly 4.14. Despite higher Asian stock prices and positive opening at the European stock exchanges, the zloty is again under the pressure vs. the euro. At the beginning of the day EURPLN is close to 4.18 (vs. 4.164 at the opening of the Asian trading hours). First resistance is at 4.20.

Polish bond market followed strengthening recorded on the core markets. Yield of the 10Y Polish bond declined to 4.20%, lowest level since the beginning of August. Information that at the Tuesday's auction the Ministry of Finance will offer 2Y and 10Y benchmarks triggered a profit taking. Consequently, the yield of 2Y bond increased by 1bp and the bond curve in the longer tenors declined only by 3-5bp. IRS also recorded further move down by 2-10bp, 10Y rate plunged below 4% for the first time since late July. No major changes occurred on the money market – 1M and 6M WIBOR declined by 1bp, remaining rates from 1-12M segment stayed unchanged. Longer FRA continued the gradual downward move, on Friday the scale of decline reached 2bp.

Finance Ministry informed that at Tuesday's auction it will offer bonds OK0116, IZ0823 and DS1023 worth PLN8-12bn. At the settlement date (25.10) means worth PLN30bn will appear on the market due to buyback of DS1013, PP1013 bonds and coupon payments on PS and DS series. Liquidity situation should be supportive for results of Tuesday's auction.

On Friday the CSO released data on housing market in September. Number of building permits over the last 12 months rose to 142k, for the first time since April 2012, while number of house starts increased to 122.9k, for the fourth time in a row. These numbers are confirming that the housing market is stabilizing.

MPC member Jerzy Hausner wrote in the report of the state agency PARP and public administration school MSAP that in the nearest quarters one should expect acceleration of economic growth. In his view, "persistent improvement of situation and a return to medium-term path of economic growth of around 4.5% per annum is possible, although highly uncertain". Hausner underscored that Polish economy, compared to others in the region, as well as Western economies, is doing relatively well.

This week the investors' attention will focus again on the outlook of economic growth and its implications for Fed's monetary policy. As US administration, including statistical offices, resumed work, the data that were delayed due to government shutdown will start flowing to the market, including key non-farm payrolls figure on Tuesday. Apart from that, the whole bunch of leading indicators form major economies will be released in nearest days. As regards situation in Poland, the only interesting day will be Tuesday, when the CSO will release data on retail sales and unemployment, while the Ministry of Finance will hold auction of bonds. We expect to see next piece of evidence that consumer demand is slowly reviving, while situation in the labour market is slowly improving.

ECONOMIC ANALYSIS DEPARTMENT

ul. Marszałkowska 142, 00-061 Warszawa
fax +48 22 586 83 40
email: ekonomia@bzwbk.pl
Web site: http://www.bzwbk.pl

Maciej Reluga (Chief Economist)	+48 22 534 18 88
Piotr Bielski	+48 22 534 18 87
Agnieszka Decewicz	+48 22 534 18 86
Marcin Luziński	+48 22 534 18 85
Marcin Sulewski	+48 22 534 18 84

TREASURY SERVICES

Poznań	+48 61 856 5814/30
Warszawa	+48 22 586 8320/38
Wrocław	+48 71 369 9400

FX market

Today's opening

EURUSD	1.3684	CADPLN	2.9664
USDPLN	3.0538	DKKPLN	0.5602
EURPLN	4.1785	NOKPLN	0.5171
CHFPLN	3.3829	SEKPLN	0.4754
JPYPLN*	3.1132	CZKPLN	0.1619
GBPPLN	4.9391	HUFPLN*	1.4198

*for 100JPY/100HUF

Last session 18.10.2013

	min	max	open	close	fixing
EURPLN	4.1630	4.1831	4.1662	4.1729	4.1769
USDPLN	3.0403	3.0591	3.0454	3.0466	3.0506
EURUSD	1.3660	1.3703	1.3680	1.3695	-

Interest rate market 18.10.2013

T-bonds**

Bond (term)	Yield (%)	Change (bp)	Last auction	Average yield
OK0715 (2Y)	2.88	1	23.04.13	2.748
PS0718 (5Y)	3.51	-4	23.04.13	2.889
DS1023 (10Y)	4.22	-3	25.09.13	4.310

IRS rates**

TERM	PL %	PL Change (bp)	US %	US Change (bp)	EA %	EA Change (bp)
1L	2.75	-2	0.30	0	0.41	0
2L	3.00	-5	0.45	0	0.56	-1
3L	3.21	-6	0.72	0	0.76	-2
4L	3.40	-7	1.10	-1	1.01	-3
5L	3.55	-8	1.48	-2	1.25	-3
8L	3.84	-11	2.34	-2	1.84	-4
10L	3.97	-9	2.71	-2	2.13	-3

WIBOR rates

TERM	%	Daily change (bp)
O/N	2.58	0
T/N	2.58	-1
SW	2.55	-1
2W	2.57	-1
1M	2.59	-1
3M	2.67	0
6M	2.70	-1
9M	2.73	0
1Y	2.75	0

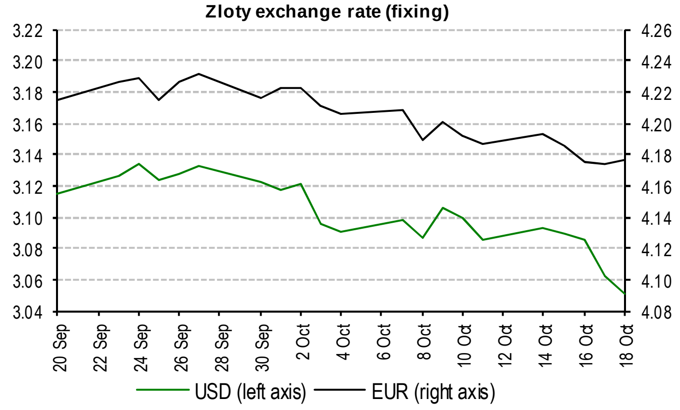
FRA rates**

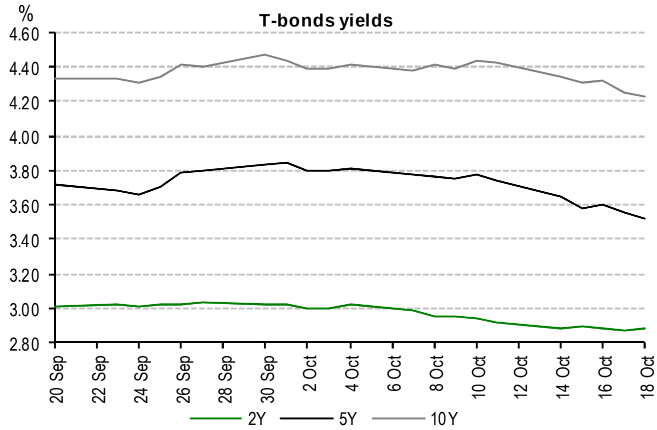
TERM	%	Daily change (bp)
1x2	2.62	-2
1x4	2.71	2
3x6	2.72	1
6x9	2.74	-2
9x12	2.83	-2
3x9	2.78	3
6X12	2.83	-1

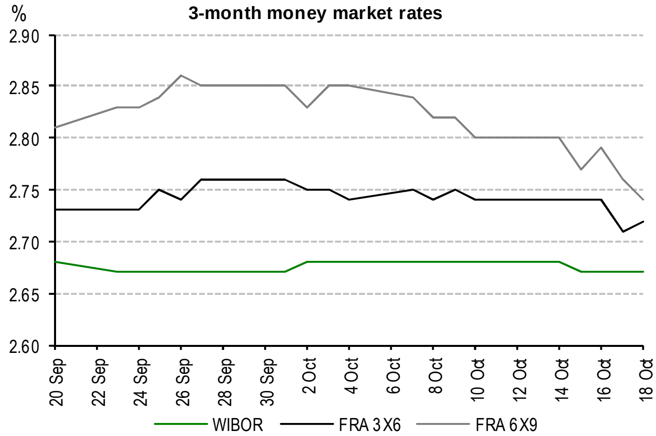
Measures of fiscal risk

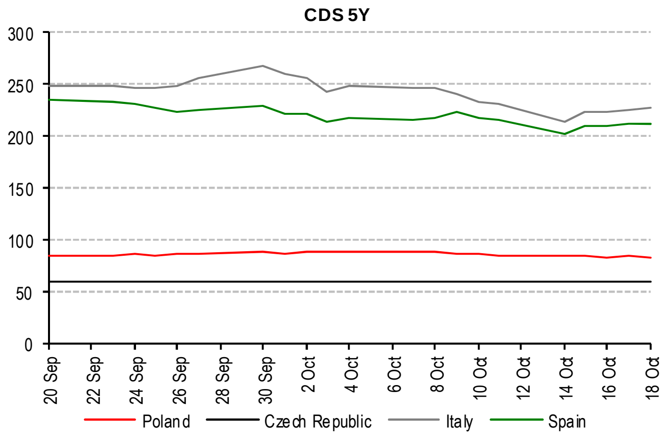
Country	CDS 5Y Value	CDS 5Y Change (bp)	Spread 10Y* Value	Spread 10Y* Change (bp)
Poland	83.4	-1	2.39	1
Czech Republic	60.3	0	0.60	2
Hungary	254.6	-2	3.76	-2
Greece	37030.5	0	6.86	3
Spain	211.4	0	2.43	1
Italy	227.1	2	2.35	1
Portugal	374.7	1	4.47	9
Ireland	130.6	0	177	3
Germany	22.3	0	--	--

* 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 (17 October)						
4:00	CN	GDP	Q3	%YoY	7.8	-	7.8	7.5
4:00	CN	Industrial output	Sep	%YoY	10.2	-	10.2	10.4
		MONDAY (21 September)						
16:00	US	Home sales	Sep	m	5.32	-		5.48
		TUESDAY (22 October)						
10:00	**PL**	**Retail sales**	**Sep**	**%YoY**	**4.6**	**4.6**		**3.4**
10:00	**PL**	**Unemployment rate**	**Sep**	**%**	**13.0**	**13.0**		**13.0**
11:00	**PL**	**Bond auction – OK0116, IZ0823 and DS 1023 worth PLN8-12bn**						
14:30	US	Non-farm payrolls	Sep	k	180	-		169
14:30	US	Unemployment rate	Sep	%	7.3	-		7.3
		WEDNESDAY (23 October)						
16:00	EZ	Consumer confidence	Oct	pts	-14.4	-		-14.9
		THURSDAY (24 October)						
3:45	CN	Flash PMI – manufacturing	Oct	pts	-	-		50.2
9:28	DE	Flash PMI – manufacturing	Oct	pts	51.5	-		51.1
9:28	DE	Flash PMI – services	Oct	pts	53.9	-		53.7
9:58	EZ	Flash PMI – manufacturing	Oct	pts	51.4	-		51.1
9:58	EZ	Flash PMI – services	Oct	pts	52.4	-		52.2
14:30	US	Initial jobless claims	week	k	340	-		358
16:00	US	New home sales	Sep	k	425	-		421
		FRIDAY (25 October)						
10:00	DE	Ifo index	Oct	pts	108	-		107.7
14:30	US	Durable goods orders	Sep	%MoM	1.9	-		0.1
15:55	US	Michigan index	Oct	pts	75.2	-		77.5

Source: BZ WBK, Reuters, Bloomberg

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

*** data releases suspended*

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Rates Area, Economic Analysis Department, ul. Marszałkowska 142, 00-061 Warsaw, Poland, phone +48 22 586 83 63, email ekonomia@bzwbk.pl, http://www.bzwbk.pl