Bank Zachodni WBK
Grupa Santander

EYEOPENER

25 November 2013

New finance minister wants to support entrepreneurs

- **Better than forecast data from Germany supporting moods at the end of the week**
- **New finance minister optimistic about 2014 growth and impact of QE3 tapering on Polish market, announced change in tax code**
- **Zloty stable against euro, zloty gained against dollar only thanks to upward move in EURUSD**
- **Peaceful end of the week in interest rate market**
- **Today, US housing market data**

German Ifo index rose in November much higher than forecast, and this was the biggest upward surprise among the last week's data releases from the European biggest economy. After one month correction a visible improvement was recorded and the index reached the highest level since April 2012. This release fuelled the euro versus the dollar and improved general market sentiment.

EURUSD stayed in the upward trend of Friday as German data had positive impact on the single currency. At the end of the session EURUSD was close to 1.352 and this means that the euro pared all Wednesday's losses suffered due to rumours about possible ECB deposit rate cut to -0.1%. Today in the morning EURUSD the exchange rate is close to 1.354. The sole release that can trigger some volatility today is US pending home sales data. This will be the first publication among many scheduled for this week from the US economy that may have visible market impact. Market sentiment is quite positive at the beginning of the week and this may help EURUSD to test again short-term resistance at 1.356 (next resistance at 1.363). Support is at 1.351.

EURPLN was hovering marginally below 4.20 – breaking it slightly several times – during the last session of the past week. The zloty was again under pressure despite rising stock prices in Europe and euro's appreciation vs. the dollar. Only due to higher EURUSD Friday was the second consecutive day of USDPLN's decline (it reached 3.10). At today's opening EURPLN is close to 4.195, we expect the exchange rate to remain in the range of 4.165-4.227. Higher volatility within this range may be recorded after the afternoon's US data.

On the domestic interest rate market no major changes were recorded on Friday. IRS and bond yields stayed close to Thursday's closing levels. Trade volume on the debt market was very thin. Deputy finance minister, Wojciech Kowalczyk, said that dollar bonds will be issued in Q1-14 at the earliest. Friday was 42nd session in a row when 12M WIBOR was at 2.75%, 43rd session when 9M WIBOR was at 2.73% and 25th session when 6M WIBOR was at 2.70%. FRA rates did not change much.

The finance minister nominee, Mateusz Szczurek, said on Friday that GDP growth at 3% in 2014 is possible. In his view, pace and persistence of recovery in the euro zone is main factor threatening the GDP growth in Poland. Szczurek assessed that Fed's tapering of QE3 should not affect the Polish market significantly. On Saturday during PO convention he announced that a new tax code will be worked out in order to "make taxpayers' lives less difficult". Today in the Dziennik Gazeta Prawna daily the future finance minister said that gains from joining the euro zone for Poland now seem less pronounced than it seemed prior to the crisis.

The NBP governor Marek Belka said on Friday that in 4Q2013 GDP growth will improve further. As regards GDP growth data released last week, Belka said that growth breakdown is of crucial importance (e.g. if growth was based on stock building). According to Belka, this year Poland will post a positive trade balance and "slightly negative" current account balance.

At the end of the week the IMF presented its economic forecasts for Poland. They expect Polish GDP to advance by 2.7%YoY in 2014 (in line with our expectations). General government deficit is projected to reach 3.5% of GDP (as compared to 4.6% in 2013). The IMF also agreed with the last MPC decision to keep interest rates stable at least until mid-2014.

Global market was significantly affected recently by rumours that the ECB may cut deposit rate to -0.1% and later by denial of these by Mario Draghi. As regards FOMC, signals from this authority appearing over last two months were rather mixed. On one hand, future Fed governor Janet Yellen said before the US Senate banking commission that the FOMC should not hurry with QE3 tapering. But on the other, minutes of the last FOMC meeting included a suggestion that scale of monetary stimulus may be decreased soon. This week we will see a row of important US figures, which may affect market's expectations about QE3.

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FX market

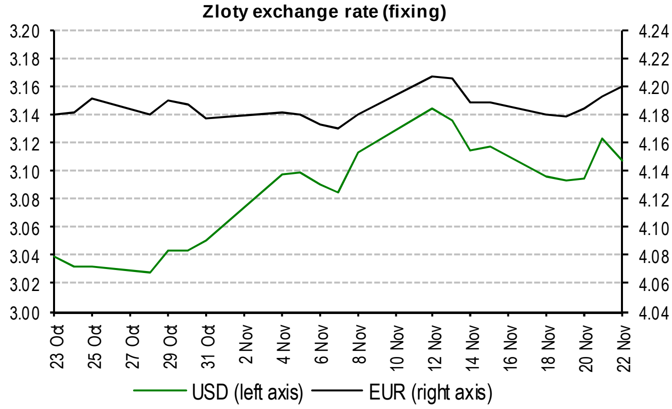
Today's opening

EURUSD	1.3540	CADPLN	2.9337
USDPLN	3.1005	DKKPLN	0.5629
EURPLN	4.1974	NOKPLN	0.5092
CHFPLN	3.4118	SEKPLN	0.4704
JPYPLN*	3.0428	CZKPLN	0.1539
GBPPLN	5.0276	HUFPLN*	1.4060

*for 100JPY/100HUF

Last session 22.11.2013

	min	max	open	close	fixing
EURPLN	4.1894	4.2006	4.1990	4.1971	4.1995
USDPLN	3.0974	3.1154	3.1152	3.1033	3.1077
EURUSD	1.3471	1.3538	1.3482	1.3521	-



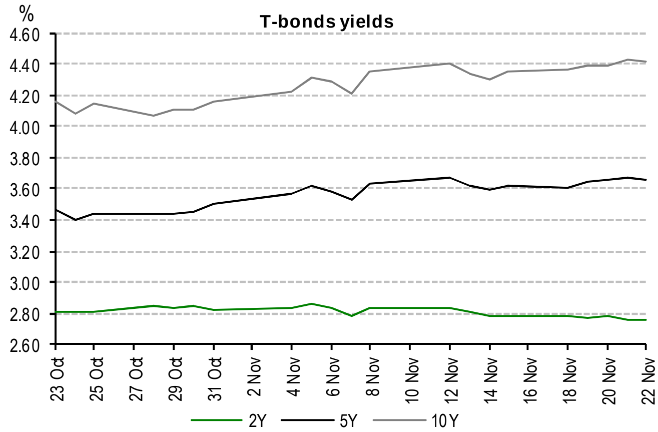
Interest rate market 22.11.2013

T-bonds (on the interbank market)**

Bond (term)	Yield (%)	Change (bp)	Last auction	Average yield
OK0715 (2Y)	2.75	0	23.04.13	2.748
PS0718 (5Y)	3.66	-1	07.11.13	3.589
DS1023 (10Y)	4.42	0	22.10.13	4.302

IRS rates (on the interbank market)**

TERM	PL %	PL Change (bp)	US %	US Change (bp)	EA %	EA Change (bp)
1L	2.73	1	0.26	0	0.35	1
2L	3.02	0	0.38	1	0.45	1
3L	3.25	0	0.64	0	0.62	1
4L	3.47	-1	1.03	0	0.84	0
5L	3.65	-1	1.46	-2	1.08	0
8L	4.02	-1	2.41	-5	1.70	-1
10L	4.15	-1	2.80	-6	2.01	-2

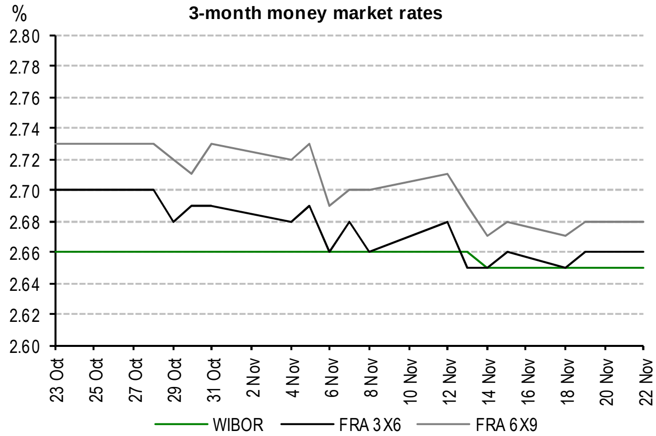


WIBOR rates

TERM	%	Daily change (bp)
O/N	2.60	0
T/N	2.60	0
SW	2.58	0
2W	2.58	0
1M	2.60	0
3M	2.65	0
6M	2.70	0
9M	2.73	0
1Y	2.75	0

FRA rates (on the interbank market)**

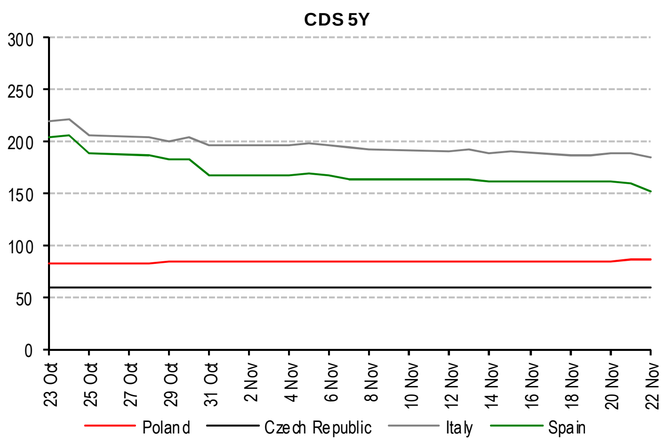
TERM	%	Daily change (bp)
1x2	2.61	-1
1x4	2.66	-1
3x6	2.66	0
6x9	2.68	0
9x12	2.78	0
3x9	2.71	1
6X12	2.73	-3



Measures of fiscal risk

Country	CDS 5Y Value	CDS 5Y Change (bp)	Spread 10Y* Value	Spread 10Y* Change (bp)
Poland	86.1	0	2.66	-1
Czech Republic	59.5	0	0.60	2
Hungary	274.9	2	4.23	0
Greece	37030.5	0	7.23	9
Spain	152.7	-8	2.35	-2
Italy	184.9	-4	2.33	-1
Portugal	347.7	2	4.22	-5
Ireland	125.5	0	180	2
Germany	20.3	0	--	--

* 10Y treasury bonds over 10Y Bunds



**Information shows mid levels on the interbank market at the end of the trading day

Source: Reuters

Economic calendar

Time CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST BZWBK	ACTUAL VALUE	LAST VALUE*
		FRIDAY (22 November)						
8:00	DE	GDP	Q3	%YoY	0.6	-	0.6	0.5
10:00	DE	Ifo index	Nov	pts	107.7	-	109.3	107.4
		MONDAY (25 November)						
16:00	US	Pending home sales	Oct	%MoM	2.0	-		-5.6
		TUESDAY (26 November)						
10:00	**PL**	**Retail sales**	**Oct**	**%YoY**	**4.3**	**3.2**		**3.9**
10:00	**PL**	**Unemployment rate**	**Oct**	**%**	**13.0**	**13.0**		**13.0**
14:00	HU	Central bank decision		%	3.2	-		3.40
14:30	US	Building permits	Oct	k	923	-		925
14:30	US	House starts	Oct	k	935	-		935
15:00	US	S&P/Case-Shiller home price index	Sep	%MoM	0.9	-		0.9
16:00	US	Indeks nastroju konsumentów	Nov	pts	72.1	-		71.2
		WEDNESDAY (27 November)						
14:30	US	Initial jobless claims	week	k	330	-		323
14:30	US	Durable goods orders	Oct	%MoM	-1.7	-		3.8
15:55	US	Michigan index	Nov	pts	73.0	-		72.0
		THURSDAY (28 November)						
	US	Market holiday						
		FRIDAY (29 November)						
10:00	**PL**	**GDP**	**Q3**	**%YoY**	**1.9**	**1.9**		**0.8**
10:00	**PL**	**Private consumption**	**Q3**	**%YoY**	**1.0**	**1.2**		**0.2**
10:00	**PL**	**Fixed investments**	**Q3**	**%YoY**	**-2.0**	**-2.0**		**-3.2**
11:00	EZ	Flash HICP	Nov	%YoY	0.9	-		0.7
14:00	**PL**	**Inflation expectations**	**Nov**	**%YoY**	**-**	**-**		**0.9**

Source: BZ WBK, Reuters, Bloomberg

** in case of the revision, the data is updated   **estimate after inflation data*

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