Bank Zachodni WBK
Grupa Santander

EYEOPENER

28 November 2013

Waiting for the new data

- **Another set of mixed data from the USA stabilised the zloty and EURUSD**
- **MPC's Winiecki sees no need to change interest rates in Poland**
- **Clear growth in IRS and bond yields, rising turnover in the debt market**
- **Market holiday in the USA**

Wednesday's session did not bring any major changes on the financial market. In the morning, the information from Germany – agreement between CDU/CSU and SPD on coalition – has positively affected global moods and backed the single currency. Yesterday we saw the new set of mixed data from the USA. Initial jobless claims surprised positively, as the growth in new unemployed seemed to have returned to levels seen prior to partial government shutdown. Durable goods orders fell in October in line with expectations, but the reading excluding transport orders was disappointing. Set of better than expected publications was joined yesterday by Michigan index of consumer confidence. However, neither these releases nor words of the ECB deputy president managed to affect the market significantly. ECB's Vitor Constâncio said yesterday that the bank is technically ready to introduce negative deposit rate, but will do this only under extreme circumstances.

Yesterday EURUSD was oscillation around 1.358. Mixed data from the USA and today's market holiday in the USA limited potential for more pronounced moves yesterday and today they should be a stabilizing factor for the trade. Today at the start of the session the rate is close to 1.357. We are expecting the rate to remain in 1.354-1.361 range.

EURPLN and USDPLN have stabilised, the former was oscillating for the better part of yesterday's session slightly above 4.20, and the latter near 3.09. Overnight, there were no big changes, EURPLN is starting today's session slightly above 4.20. The rate is slowly approaching the local peak from the first half of November at 4.22. Today there will be no important data releases, which could affect the currency, and market activity may be lower due to Thanksgiving holiday in the USA. We do not expect the zloty to strengthen significantly during the session (EURPLN should remain close to 4.20).

On the domestic interest rate market weakening of Polish debt gathered pace. Yields of 5Y and 10Y bonds are rebounding more and more visibly from local lows established in last decade of October (yesterday they grew by 5bp). The trade volume focused on the middle of the curve. Weakening of Polish debt had clear impact on IRS market – 5Y and 10Y rates also moved up by 5bp (to 3.71% and 4.20%, respectively). Just like in recent days, short end of the IRS curve remained relatively resilient to an increase seen on longer tenors, 2Y rate is still close to 3% (yesterday it reached 3.03%). Thus, the IRS curve steepened even further. 1-12M WIBOR rates stayed unchanged. The November's declaration of the MPC has an obvious impact on FRA rates – yesterday again no big changes were recorded. 10Y German Bunds stay close to strongest levels since August while yields of Polish bonds are gradually rising. Also when compared to peripheral market, Polish debt underperforms (despite expelling Berlusconi from the parliament, yields of Italian bonds declined today in the morning).

MPC member, Jan Winiecki, repeated yesterday that he sees no reason to change interest rates. He thinks that in 2013 Polish GDP may expand by c.3% but weak economic growth in Western Europe constrains potential for faster growth and until the end of this decade domestic GDP growth will stay below 4%.

Chief economist of the Ministry of Finance, Ludwik Kotecki, said yesterday that in whole 2013 Polish GDP will grow by 1.3-1.4% and in 4Q-13 pace of growth will be "visibly" above 2%. Our forecast indicate that in final three months of this year economy will expand by 2%, in whole 2013 by 1.3% and in 2014 by 2.7%.

Polish president Bronisław Komorowski, said today that changes in private pension funds are necessary from the budget point of view and for the safety of Polish public finances. He added, however, that it would be desirable to eliminate any issues that may generate doubts of being against the constitution.

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FX market

Today's opening

EURUSD	1.3575	CADPLN	2.9266
USDPLN	3.0985	DKKPLN	0.5639
EURPLN	4.2059	NOKPLN	0.5075
CHFPLN	3.4130	SEKPLN	0.4709
JPYPLN*	3.0325	CZKPLN	0.1538
GBPPLN	5.0516	HUFPLN*	1.4055

*for 100JPY/100HUF

Last session 27.11.2013

	min	max	open	close	fixing
EURPLN	4.1950	4.2051	4.2025	4.2041	4.2038
USDPLN	3.0849	3.0980	3.0957	3.0980	3.0899
EURUSD	1.3571	1.3612	1.3577	1.3574	-

Interest rate market 27.11.2013

T-bonds (on the interbank market)**

Bond (term)	Yield (%)	Change (bp)	Last auction	Average yield
OK0715 (2Y)	2.83	8	23.04.13	2.748
PS0718 (5Y)	3.74	5	07.11.13	3.589
DS1023 (10Y)	4.50	7	22.10.13	4.302

IRS rates (on the interbank market)**

TERM	PL		US		EA	
	%	Change (bp)	%	Change (bp)	%	Change (bp)
1L	2.72	-1	0.27	0	0.35	0
2L	3.03	2	0.37	-2	0.44	0
3L	3.28	4	0.63	-1	0.60	0
4L	3.51	3	1.02	0	0.82	0
5L	3.71	5	1.44	2	1.06	1
8L	4.07	5	2.41	4	1.66	1
10L	4.20	5	2.80	4	1.97	1

WIBOR rates

TERM	%	Daily change (bp)
O/N	2.57	-1
T/N	2.59	0
SW	2.57	-1
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)**

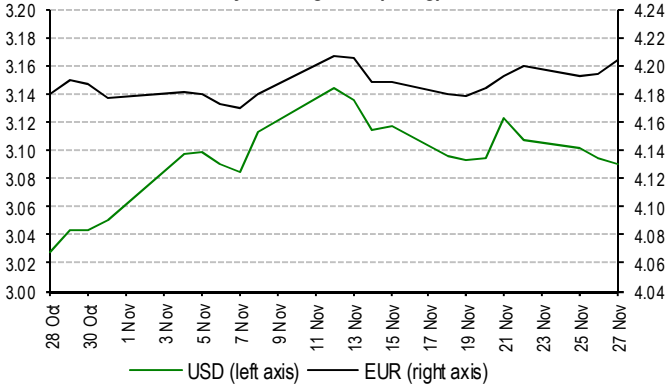
TERM	%	Daily change (bp)
1x2	2.62	0
1x4	2.67	0
3x6	2.66	0
6x9	2.68	0
9x12	2.78	0
3x9	2.71	0
6X12	2.76	0

Measures of fiscal risk

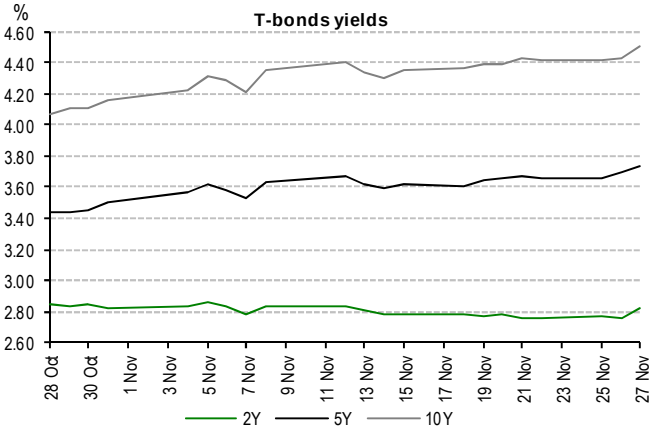
Country	CDS 5Y		Spread 10Y*	
	Value	Change (bp)	Value	Change (bp)
Poland	83.7	0	2.75	1
Czech Republic	59.5	0	0.57	0
Hungary	275.4	1	4.30	-2
Greece	37030.5	0	7.27	-3
Spain	148.5	1	2.44	-3
Italy	174.9	1	2.36	-1
Portugal	333.3	-1	4.15	-6
Ireland	122.0	0	1.81	-2
Germany	22.0	0	--	--

* 10Y treasury bonds over 10Y Bunds

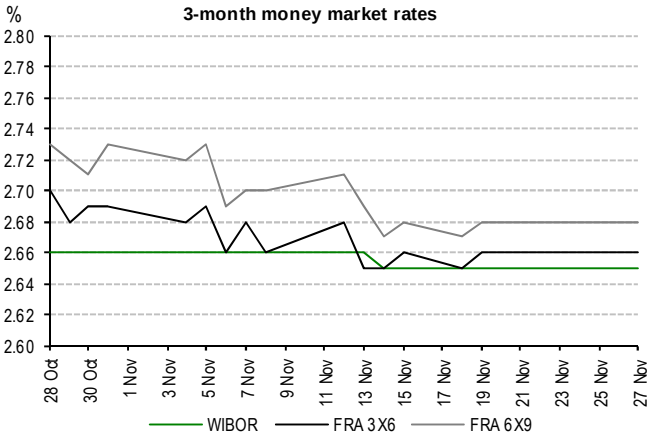
Zloty exchange rate (fixing)



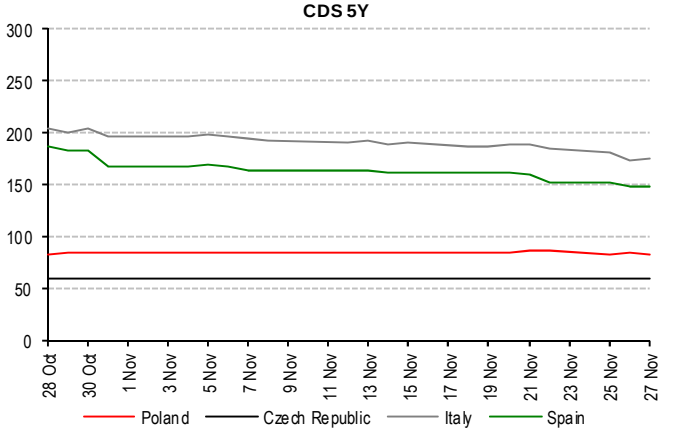
T-bonds yields



3-month money market rates



CDS 5Y



**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		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
		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	-	-0.6	-4.6
		TUESDAY (26 November)						
10:00	**PL**	**Retail sales**	**Oct**	**%YoY**	**4.3**	**3.2**	**3.2**	**3.9**
10:00	**PL**	**Unemployment rate**	**Oct**	**%**	**13.0**	**13.0**	**13.0**	**13.0**
14:00	HU	Central bank decision		%	3.2	-	3.20	3.40
14:30	US	Building permits	Oct	k	930	-	1034	974
15:00	US	S&P/Case-Shiller home price index	Sep	%MoM	0.9	-	1.0	0.9
16:00	US	Consumer confidence index	Nov	pts	72.4	-	70.4	72.4
		WEDNESDAY (27 November)						
14:30	US	Initial jobless claims	week	k	330	-	316	326
14:30	US	Durable goods orders	Oct	%MoM	-2.0	-	-2.0	4.1
15:55	US	Michigan index	Nov	pts	73.1	-	75.1	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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