

EYEOPENER

20 December 2013

Significant strengthening of the zloty

- Weekly data from the US labour market overshadowed by lat FOMC decision
- Clear strengthening of the zloty after the session's close, EURUSD slightly lower
- Large fluctuations in the interest rate market
- Today, final US GDP for 3Q, possible nomination of the new MPC member in Poland

On Thursday the overnight changes in exchange rates were corrected during the European trading hours, while stock indices were rising following new records on the US bourses. Quite considerable changes were recorded on core debt market – yields of 10Y Bunds and Treasuries rose significantly, the latter reached 2.95% (as compared to 2.50% in November and 2.83% on Tuesday prior to FOMC decision). It is visible that there is a double pressure on this market: First, QE3 tapering is implying lower demand for the US bonds. Secondly, central bank's decision is interpreted by investors as a sign of Fed's faith in the US economy, which weakens demand for safe haven assets. Weekly US jobless claims disappointed, but did not affect the trade considerably. President Bernanke underlined during last press conference that inflation data is crucial in regards to QE3 and this is why the labour market numbers may have been ignored.

EURUSD was hovering around 1.367 yesterday, after considerable and dynamic changes posted on Wednesday the market stabilized in the evening. The weaker-than-expected data from the USA did not affect the trade considerably. After close of domestic session the dollar gained against the euro somewhat and this morning it is hovering close to 1.363. Next support is at 1.36, in the afternoon the market may be affected by the US data.

EURPLN and USDPLN were rising yesterday. Despite higher demand for risky assets (visible in gaining stocks in Europe), the zloty gave away some of its overnight strengthening versus the euro and the dollar. EURPLN approached 4.175, while USDPLN exceeded 3.05. Depreciation versus the euro was recorded also by the forint, EURHUF climbed from 298 to 300 temporarily. After close of domestic session, the zloty began to strengthen against the euro – EURPLN fell overnight to 4.153, to the lowest level since the first half of November. This move accompanied the EURHUF correction, but scale of decline was less considerable than on the Polish market. This morning EURPLN is oscillating close to 4.157.

It is visible that QE3 tapering did not affect negatively the zloty (and other risky assets). We have already indicated that the zloty is a cyclical currency, so economic data may be crucial in the upcoming weeks. Today we will see final GDP for Q3 in the USA.

Thursday was a pretty volatile day on the domestic interest rate market. Bond yields and IRS rates declined visibly at the beginning of the session, but due to weakening observed on the core debt markets the following hours brought a correction. Yields of 5Y and 10Y bonds plunged by 7bp at the opening but rebounded back to (or even above) the opening levels later in the day. Next to 3M WIBOR, yesterday also 1M and 6M rate increased by 1bp.

The Ministry of Finance bought back OK0114 bond for PLN4.6bn (vs. nearly PLN4.9bn offered for a buyback) and PS0414 for PLN3.2bn (vs. also nearly PLN4.9bn that investors were willing to sell). After yesterday's session there is PLN13.7bn of OK0114 outstanding and PLN21.5bn of PS0414.

Minutes of the December's MPC meeting released yesterday did not bring many new information on the monetary policy outlook. The document confirmed that the Council's members noticed an economic rebound, but pace of recovery is slow and there are risks that threaten its continuation. Some MPC members said that although the internal demand increased, exports remain main driver of the recovery. That is why weak economic growth abroad prints a question mark regarding firmness of a rebound in Poland. According to the MPC, despite some improvement in wage growth, elevated unemployment rate makes more visible increase of wages rather unlikely. Some MPC members see little chances for inflation to break through the NBP target (2.5%YoY) next year. Overall, the tone of the yesterday's publication confirms that MPC expects sluggish rebound and low inflation in 2014 – scenario that supports its declaration on keeping NBP interest rates unchanged until at least mid-2014.

Moody's rating agency said that there is a rising probability that Polish fiscal situation will surprise positively in 2014. This would be possible due to stronger than expected rebound of an internal demand supported by improvement on the labour market and rising wages. Consequently, Poland would be likely to meet fiscal targets required by the EC and to exit the excessive deficit procedure.

According to source cited by Reuters, today the president will probably appoint Jerzy Osiatyński as the new member of the MPC.

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FX market

Today's opening

EURUSD	1.3629	CADPLN	2.8588
USDPLN	3.0515	DKKPLN	0.5575
EURPLN	4.1589	NOKPLN	0.4949
CHFPLN	3.3924	SEKPLN	0.4628
JPYPLN*	2.9219	CZKPLN	0.1504
GBPPLN	4.9846	HUFPLN*	1.3905

*for 100JPY/100HUF

Last session

19.12.2013

	min	max	open	close	fixing
EURPLN	4.1530	4.1672	4.1589	4.1672	4.1700
USDPLN	3.0377	3.0526	3.0515	3.0499	3.0490
EURUSD	1.3624	1.3669	1.3629	1.3669	-

Interest rate market 19.12.2013

T-bonds (on the interbank market)**

Bond (term)	Yield (%)	Change (bp)	Last auction	Average yield
OK0116 (2Y)	2.98	2	23.04.13	2.748
PS0718 (5Y)	3.55	3	07.11.13	3.589
DS1023 (10Y)	4.31	1	22.10.13	4.302

IRS rates (on the interbank market)**

TERM	PL		US		EA	
	%	Change (bp)	%	Change (bp)	%	Change (bp)
1L	2.73	2	0.31	3	0.40	0
2L	2.96	0	0.44	4	0.50	-1
3L	3.21	3	0.78	7	0.69	1
4L	3.45	4	1.23	9	0.94	3
5L	3.65	5	1.67	8	1.19	4
8L	4.03	6	2.60	7	1.80	5
10L	4.16	6	2.97	6	2.10	4

WIBOR rates

TERM	%	Daily change (bp)
O/N	2.57	-1
T/N	2.59	0
SW	2.58	0
2W	2.58	0
1M	2.61	1
3M	2.69	1
6M	2.71	1
9M	2.72	0
1Y	2.75	0

FRA rates (on the interbank market)**

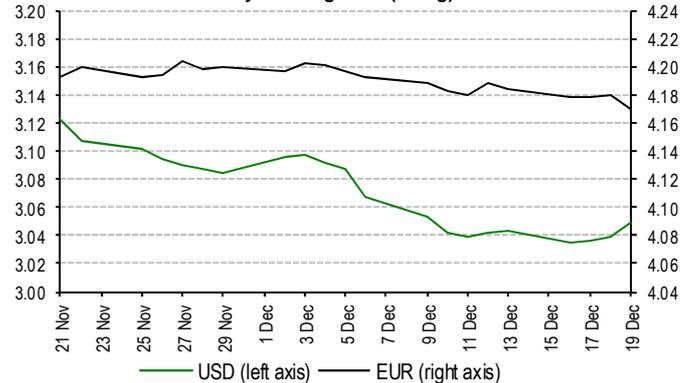
TERM	%	Daily change (bp)
1x2	2.61	0
1x4	2.70	2
3x6	2.67	0
6x9	2.69	1
9x12	2.75	0
3x9	2.72	2
6x12	2.75	2

Measures of fiscal risk

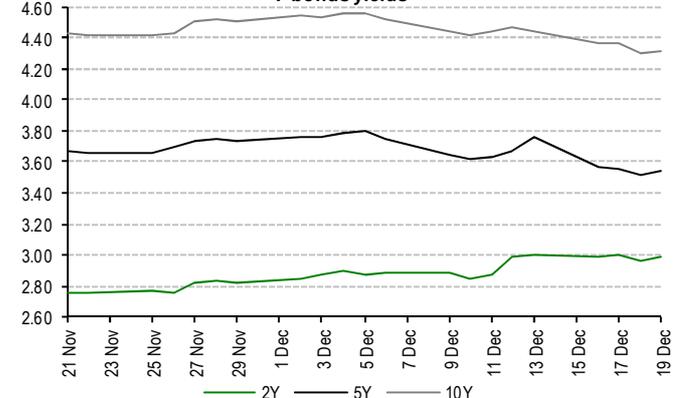
Country	CDS 5Y		Spread 10Y*	
	Value	Change (bp)	Value	Change (bp)
Poland	79.8	-1	2.44	-3
Czech Republic	60.2	0	0.55	4
Hungary	253.9	-2	3.90	-2
Greece	37030.5	0	6.88	-10
Spain	153.3	-2	2.26	-5
Italy	169.9	-1	2.21	-3
Portugal	347.6	-2	4.18	-6
Ireland	118.7	-1	1.59	-4
Germany	25.0	0	--	--

* 10Y treasury bonds over 10Y Bunds

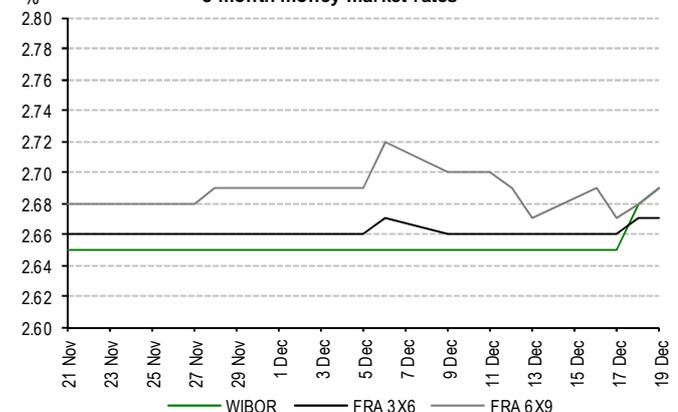
Zloty exchange rate (fixing)



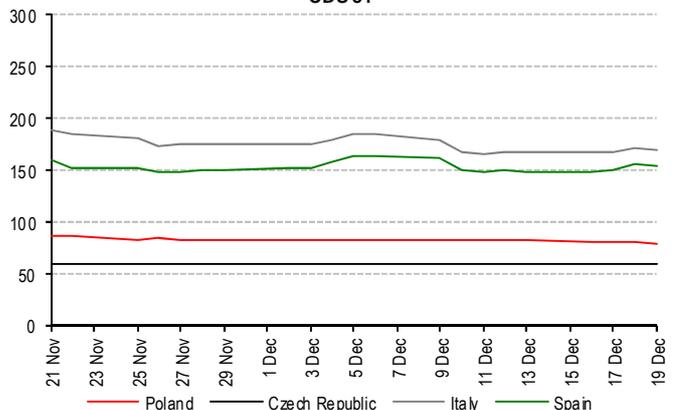
T-bonds yields



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 (13 December)								
14:00	PL	CPI	Nov	%YoY	0.9	0.8	0.6	0.8
14:00	PL	Exports	Oct	€m	14 868	15 109	14 622	13 896
14:00	PL	Imports	Oct	€m	14 318	14 485	14 569	13 223
14:00	PL	Current account	Oct	€m	-586	-194	-466	-1024
14:00	PL	Money supply	Nov	%YoY	6.2	6.0	5.7	5.9
MONDAY (16 December)								
2:45	CN	Flash PMI – manufacturing	Dec	pts	50.9	-	50.5	50.8
9:28	DE	Flash PMI – manufacturing	Dec	pts	52.9	-	54.2	52.7
9:58	EZ	Flash PMI – manufacturing	Dec	pts	51.4	-	52.7	51.6
14:00	PL	Core inflation	Nov	%YoY	1.4	1.0**	1.1	1.4
15:15	US	Industrial output	Nov	%MoM	0.6	-	1.1	0.1
TUESDAY (17 December)								
11:00	DE	ZEW index	Dec	pts	55.0	-	62.0	54.6
11:00	EZ	HICP	Nov	%YoY	0.9	-	0.9	0.9
13:00	CZ	Central bank decision		%	0.05	-	0.05	0.05
14:00	PL	Employment in corporate sector	Nov	%	0.1	0.1	0.1	-0.2
14:00	PL	Wages in corporate sector	Nov	%	2.9	2.7	3.1	3.1
14:00	HU	Central bank decision		%	3.0	-	3.0	3.2
14:30	US	CPI	Nov	%MoM	0.1	-	0.2	0.1
WEDNESDAY (18 December)								
10:00	DE	Ifo index	Dec	pts	109.5	-	109.5	109.3
14:00	PL	Industrial output	Nov	%YoY	1.7	0.4	2.9	4.4
14:00	PL	Construction and assembly output	Nov	%YoY	-7.9	-11.6	-2.9	-5.5
14:00	PL	PPI	Nov	%YoY	-1.2	-1.3	-1.5	-1.3
14:30	US	Building permits	Nov	k	990	-	1007	1034
20:00	US	FOMC decision						
20:30	US	Press conference of Ben Bernanke						
THURSDAY (19 December)								
11:00	PL	Repurchase of OK0114 and PS0414 bonds						
14:00	PL	MPC minutes						
14:30	US	Initial jobless claims	week	k	334	-		368
16:00	US	Philly Fed index	Dec	pts	10	-		6.5
16:00	US	New home sales	Nov	%MoM	-1.5	-		-3.2
FRIDAY (20 December)								
14:30	US	Final GDP	Q3	%QoQ	3.6	-		2.5

Source: BZ WBK, Reuters, Bloomberg **estimate after CPI data

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

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