EYEOPENER

12 February 2015

Talks about Greece and Ukraine without agreements

- **Talks about situation in Greece broke down, no positive news after all-night negotiations in Minsk**
- **Zloty and Polish debt market still under pressure**
- **EURUSD without major change, awaiting more news about Greece**

There were still some concerns present in the global market since the beginning of the Wednesday's session related to the situation in Greece and the future of the euro zone. Recent signals from the EU leaders and the new Greek government did not bode well for talks and for reaching an easy agreement on the conditions under which Greece would receive financial aid. Worries that the yesterday's talks would end without any agreement weighed on the European stock exchanges as well as bonds and currencies in the CEE region.

These concerns proved justified as talks ended without any progress and finance ministers even failed to agree on a final statement after the meeting. Eurogroup is scheduled to meet on Monday, February 16 in effort to reach any form of agreement or at least set out a way forward. The uncertainty over the Greek future remains high as the country has time until the end of February to secure financing for the coming months. If this does not happen, then banking crisis may break out and this may force Greece to leave the euro zone.

Meanwhile, talks of Russian, Ukrainian, German and French leaders were carried all night in Minsk. Today in the morning, president Poroshenko said that conditions demanded by Russia are unacceptable and this is not a good omen for the results of talks. Negotiations are likely to be continued though.

EURUSD declined yesterday slightly versus the opening level. Scale and dynamics of the move were not considerable, however, and for the better part of the day the rate was moving in a horizontal trend and waiting for signals from meeting about Greece. Even though the eurogroup meeting did not bring any conclusion, the market does not seem strongly disappointed – overnight the rate climbed temporarily to 1.135. At today's start of the day the rate is slightly above 1.13. Apart from situation in Greece, the trade may be affected by data from the US or the euro zone. EURUSD has been moving in a horizontal trend for a couple of days and it seems that macro releases will not be enough to initiate a strong move. Market will be more concerned about the situation in Greece and in the euro zone.

EURPLN and USDPLN posted a third and a fourth session of rises in a row, respectively. Investors' worries about further development of situation in the euro zone weakened the zloty to 4.22 per euro and above 3.73 per dollar. The forint, the ruble and the Romanian leu were also under pressure (EURHUF climbed to 310 from 308, USDRUB rebounded above 66.5 from 65.5, EURRON broke temporarily 4.45 vs. 4.43 at the start of the day). Lack of agreement about Greece did not negatively affect the CEE currencies – EURPLN is close to 4.20 at today's opening, EURHUF is near 309. EURPLN returned to 4.14-4.24 range, where it was present between August and mid-December and is awaiting an impulse, which can initiate a stronger and more persistent trend. Situation in Greece still remains unresolved so we do not expect EURPLN to move strongly today. Lack of considerable moves can be also due to expectations for Friday's data from Poland, which will show a further decline of CPI on one hand (zloty-negative), and GDP growth above 3% in Q4 with strong domestic demand (zloty-positive).

On Wednesday, IRS and bond yields added another 2bps to the up wave in the belly and long ends of the curves after some stabilization on Tuesday. The intraday move was even bigger but the market recovered at the end of the day. Among 1-12M WIBOR rates, only the 9M one changed as it dropped 1bp.

There is a debt auction due in Poland today. The Finance Ministry announced it will offer new 2Y and 5Y bonds OK0717 and PS0420. On the one hand, recent significant weakening makes the Polish bonds more attractive given the last ECB decision on the substantial monetary policy easing, high odds for more rate cuts in Poland and Friday's outlook upgrade by the S&P. However, worries over Greece are still high and the past days have shown that Polish bonds are not desired assets amid an elevated risk aversion. Nevertheless, we think that the auction results should rather not disappoint.

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FX market

Today's opening

EURUSD	1.1320	CADPLN	2.9469
USDPLN	3.7211	DKKPLN	0.5659
EURPLN	4.2112	NOKPLN	0.4856
CHFPLN	4.0094	SEKPLN	0.4437
JPYPLN*	3.0949	CZKPLN	0.1524
GBPPLN	5.6721	HUFPLN*	1.3622

*for 100JPY/100HUF

Last session 11.02.2015

	min	max	open	close	fixing
EURPLN	0.0000	4.2175	4.2040	4.2175	4.1999
USDPLN	0.0000	3.7321	3.7185	3.7321	3.7094
EURUSD	1.1301	1.1331	1.1308	1.1305	-

Interest rate market 11.02.2015

T-bonds (on the interbank market)**

Bond (term)	Yield (%)	Change (bp)	Last auction	Offered paper	Avg yield
PS1016 (2Y)	1.67	-1	22.01.2015	OK0717	1.734
DS1019 (5Y)	1.93	-1	22.01.2015	PS0420	1.978
DS0725 (10Y)	2.33	2	5.02.2015	DS0725	2.092

IRS rates (on the interbank market)**

TERM	PL %	PL Change (bp)	US %	US Change (bp)	EA %	EA Change (bp)
1L	1.64	0	0.49	1	0.13	0
2L	1.68	0	0.90	0	0.14	0
3L	1.73	1	1.24	0	0.18	0
4L	1.79	2	1.48	0	0.24	0
5L	1.85	3	1.66	0	0.31	0
8L	2.05	6	1.98	1	0.56	-1
10L	2.14	6	2.11	2	0.71	-1

WIBOR rates

TERM	%	Daily change (bp)
O/N	2.06	0
T/N	2.06	0
SW	2.02	0
2W	2.01	0
1M	2.00	0
3M	1.96	0
6M	1.95	0
9M	1.93	-1
1Y	1.93	0

FRA rates (on the interbank market)**

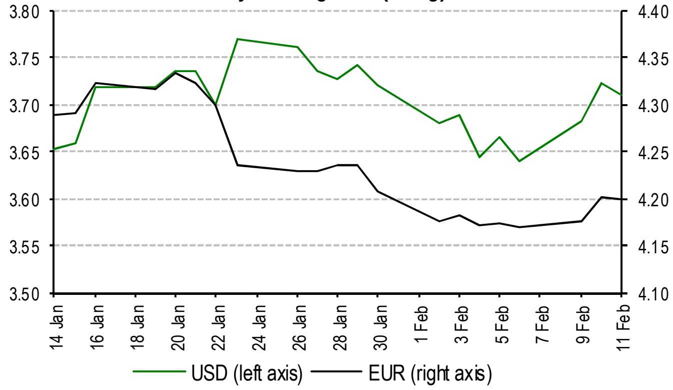
TERM	%	Daily change (bp)
1x2	1.81	0
1x4	1.73	2
3x6	1.56	1
6x9	1.50	1
9x12	1.50	1
3x9	1.56	1
6X12	1.51	1

Measures of fiscal risk

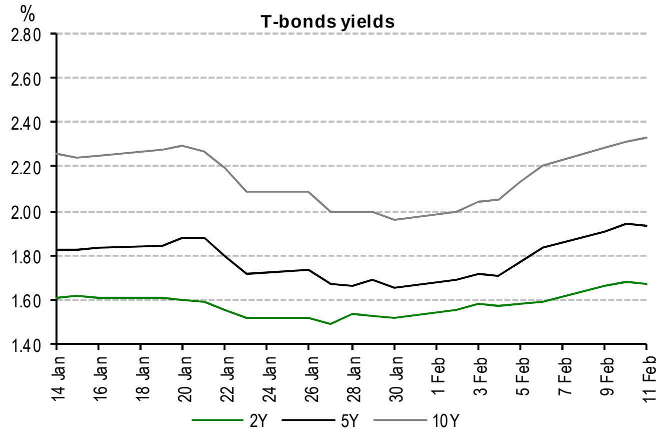
Country	CDS 5Y Value	CDS 5Y Change (bp)	Spread 10Y* Value	Spread 10Y* Change (bp)
Poland	65.7	0	1.98	4
Czech Republic	49.3	0	0.21	2
Hungary	139.6	0	2.96	9
Greece	1725.8	261	10.52	44
Spain	92.6	2	1.26	5
Italy	109.9	2	1.32	3
Portugal	169.5	2	2.22	6
Ireland	46.5	0	0.89	3
Germany	16.1	0	--	--

* 10Y treasury bonds over 10Y Bunds

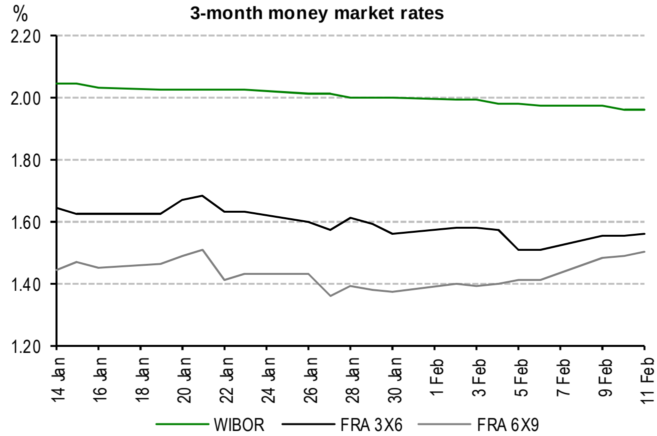
Zloty exchange rate (fixing)



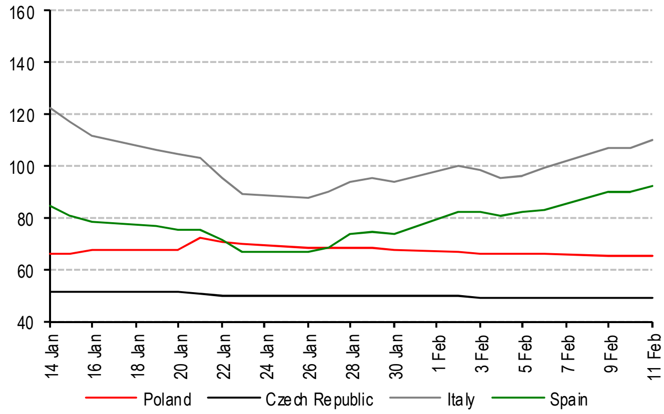
T-bonds yields



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 MARKET	FORECAST BZWBK	ACTUAL VALUE	LAST VALUE*
		FRIDAY (6 February)						
8:00	DE	Industrial output	Dec	%MoM	0.4	-	0.1	0.1
9:00	CZ	Industrial output	Dec	%YoY	6.7	-	7.3	-0.4
14:30	US	Non-farm payrolls	Jan	k	231	-	257	329
14:30	US	Unemployment rate	Jan	%	5.6	-	5.7	5.6
		MONDAY (9 February)						
8:00	DE	Exports	Dec	%MoM	1.5	-	3,4	-2.2
9:00	CZ	CPI	Jan	%YoY	-0.2	-	0.1	0.1
		TUESDAY (10 February)						
		No important data releases						
		WEDNESDAY (11 February)						
9:00	HU	CPI	Jan	%YoY	-1.1	-	-1.4	-0.9
		THURSDAY (12 February)						
11:00	**PL**	**Bond auction**						
11:00	EZ	Industrial output	Dec	%MoM	0.2	-		0.2
14:30	US	Retail sales	Jan	%MoM	-0.4	-		-0.9
14:30	US	Initial jobless claims	week	k	287	-		278
		FRIDAY (13 February)						
8:00	DE	Flash GDP	Q4	%YoY	1.0	-		1.2
9:00	CZ	Flash GDP	Q4	%YoY	1.8	-		2.4
9:00	HU	Flash GDP	Q4	%YoY	2.7	-		3.2
10:00	**PL**	**Flash GDP**	**Q4**	**%YoY**	**3.1**	**3.1**		**3.3**
11:00	EZ	Flash GDP	Q4	%YoY	0.8	-		0.8
14:00	**PL**	**CPI**	**Jan**	**%YoY**	**-1.2**	**-1.4**		**-1.0**
14:00	**PL**	**Current account**	**Dec**	**€m**	**-386**	**-539**		**-268**
14:00	**PL**	**Exports**	**Dec**	**€m**	**12016**	**12549**		**13 556**
14:00	**PL**	**Imports**	**Dec**	**€m**	**12251**	**12810**		**13 652**
14:00	**PL**	**Money supply**	**Jan**	**%YoY**	**9.0**	**8.8**		**8.4**
15:55	US	Flash Michigan	Feb	pts	98.1	-		98.1

Source: BZ WBK, Reuters, Bloomberg

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

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