Bank Zachodni WBK
Grupa Santander

EYEOPENER

14 April 2015

Better data on exports supported the zloty

- **Calm start of the week prior to important events**
- **Current account balance surprised to the upside thanks to strong exports**
- **Slight changes in the FX market, European bond yields up**
- **Today, Polish money supply, industrial output in the euro zone and US retail sales**

The first session of the new week did not bring any noticeable changes in the global market as no breaking data or information emerged. European stocks indexes stayed close to the opening levels and the euro only temporarily depreciated vs. the dollar. Somewhat more noticeable changes were recorded in the European debt market where peripheral bond yields rose (10Y Portuguese yield surged 7bp to 1.70%, while Spanish and Italian long term debt lost c3bp). At the same time, 10Y Bund stayed roughly stable around 0.15%. Slightly bigger changes occurred also in the US stock exchange where indexes closed in red as investors were waiting for companies quarterly earnings releases – today Intel and JP Morgan release their earnings.

Meanwhile, the NBP released data showing that Polish February current account recorded a €116mn surplus thanks to, among others, strong exports and moderate imports. The former rose 10.7% YoY, at the fastest pace since December 2013, driven probably mainly by economic recovery in the euro zone. At the same time, import growth was limited by low commodity prices. We expect decent foreign trade numbers will contribute to a significant acceleration of the Polish GDP growth this year, even to c4% YoY in 4Q15.

EURUSD dropped during the session to 1.052 getting closer to the local low at c1.046. However, due to the lack of any fresh impulses, the euro pared part of losses and the exchange rate was close to 1.057 at the end of the Polish trading hours. Still, the yesterday's session was already sixth in a row when the euro depreciated vs. the dollar. Last time the equally long session was seen in late January 2014, and longer (lasting eight sessions) in May 2012. The euro zone and retail sales data is due today, but we do not expect them to change the EURUSD picture significantly as investors are rather likely to be waiting for the outcome of the tomorrow's ECB meeting and FOMC members speeches scheduled this week. Already today during the European session Narayana Kocherlakota, head of Minneapolis Fed will give a speech, but he is a non-voter now in the FOMC. We expect EURUSD to stay in the 1.046-1.10 range today.

EURPLN was hovering just below the opening level since the beginning of the yesterday's session. Just like we expected, C/A data surprised to the upside and the zloty was gaining vs. the euro in the following hours – EURPLN reached nearly 4.0. As the EURUSD down trend stopped and some rebound took place, USDPLN retreated from the daily peak at c3.82 and returned to the opening level. EURPLN remains close to 4.0 and is waiting for a trigger that will push it well below this level or initiate a more noticeable profit taking. Important data is due today in the euro zone and the US, but in our view key events for the zloty this week will be outcomes of the tomorrow's MPC and ECB meetings.

On the domestic interest rate market IRS and bond yields climbed by 2-4bps, mostly at the middle and the longer end of curve. In due course, both curves steepened. Behaviour of the Polish market was similar to the peripheral bond market. Rising IRS caused an upward shift of FRA curve, with the most considerable gains in longer tenors (by almost 10bps). Today's session will pass under influence of core markets' situation while awaiting tomorrow's MPC meeting. Further correction in the peripheral markets can temporarily push Polish 10Y bond yield above 2.35%.

Deputy minister of finance Artur Radziwiłł said yesterday that Poland may exit deflation sooner than the NBP projection assumes (i.e. in 4Q 2015). Radziwiłł added that the Ministry of Finance may consider a small CHF-denominated bond issue in 1H 2015 and in his opinion it can achieve negative yield on the bond. Meanwhile, Poland's minister of finance Mateusz Szczurek said that this week the Prime Minister's Standing Committee will debate on the updated convergence programme.

The NBP management board member Eugeniusz Gatnar said yesterday that recent zloty strengthening against the euro is no reason for concern of the central bank. Gatnar pointed out that the zloty is actually appreciating only versus the euro, and not versus the dollar or the Swiss franc.

ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40

email: ekonomia@bzwbk.pl Web site: skarb.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	10541	CADPLN	3.0215
USDPLN	3.8021	DKKPLN	0.5363
EURPLN	4.0070	NOKPLN	0.4687
CHFPLN	3.8860	SEKPLN	0.4301
JPYPLN*	3.1743	CZKPLN	0.1465
GBPPLN	5.5753	HUFPLN*	13516

*for 100JPY/100HUF

Last session 13.04.2015

	min	max	open	close	fixing
EURPLN	0.0000	4.0223	4.0182	4.0109	4.0198
USDPLN	3.7790	3.8206	3.7930	3.7929	3.8088
EURUSD	10519	10616	10592	10575	-

Interest rate market 13.04.2015

T-bonds (on the interbank market)**

Bond (term)	Yield (%)	Change (bp)	Last auction	Offered paper	Avg yield
PS1016 (2Y)	159	2	12.02.2015	OK0717	1667
DS1019 (5Y)	193	3	26.03.2015	PS0420	1915
DS0725 (10Y)	2.32	4	12.03.2015	DS0725	2.366

IRS rates (on the interbank market)**

TERM	PL %	PL Change (bp)	US %	US Change (bp)	EA %	EA Change (bp)
1L	1.59	1	0.46	0	0.07	0
2L	1.65	2	0.80	-1	0.07	0
3L	1.71	2	1.11	0	0.10	0
4L	1.78	3	1.34	-1	0.15	0
5L	1.85	3	1.52	-1	0.21	-1
8L	2.01	4	1.87	1	0.41	-1
10L	2.09	4	2.02	1	0.52	-2

WIBOR rates

TERM	%	Daily change (bp)
O/N	162	0
T/N	163	1
SW	161	0
2W	162	0
1M	164	0
3M	165	0
6M	166	0
9M	167	0
1Y	168	0

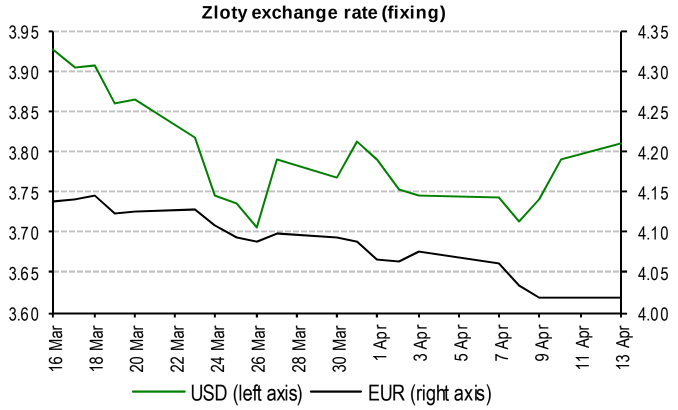
FRA rates (on the interbank market)**

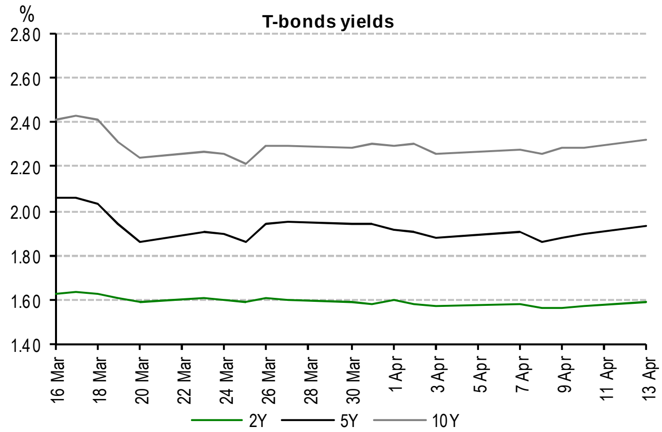
TERM	%	Daily change (bp)
1x2	165	1
1x4	162	-2
3x6	159	1
6x9	154	3
9x12	154	3
3x9	160	1
6X12	156	3

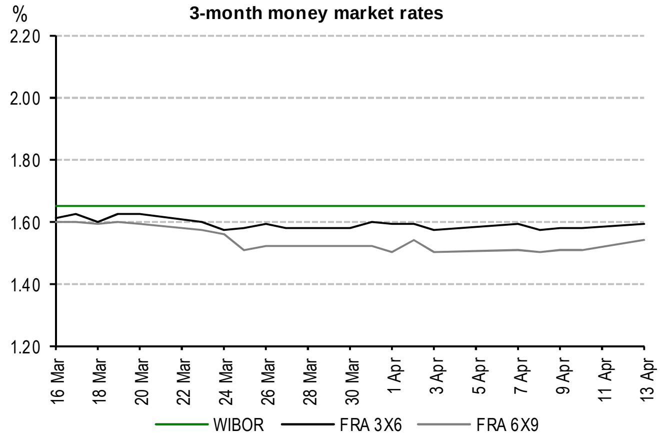
Measures of fiscal risk

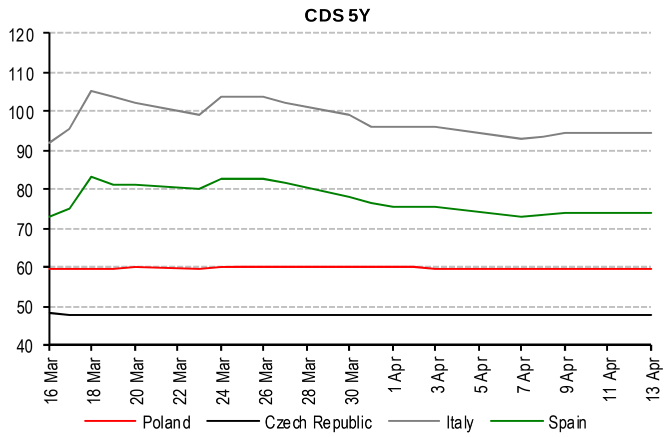
Country	CDS 5Y Value	CDS 5Y Change (bp)	Spread 10Y* Value	Spread 10Y* Change (bp)
Poland	59.8	0	2.17	4
Czech Republic	47.8	0	0.27	-2
Hungary	1311	0	3.24	5
Greece	2006.1	0	1123	13
Spain	73.8	0	111	3
Italy	94.6	0	111	2
Portugal	118.7	0	154	8
Ireland	44.0	0	0.54	-2
Germany	15.1	0	--	--

* 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 (10 April)						
9:00	CZ	Industrial output	Mar	%YoY	4.4	-	4.5	2.8
		MONDAY (13 April)						
14:00	**PL**	**Current account**	**Feb**	**€m**	**60**	**142**	**116**	**37**
14:00	**PL**	**Exports**	**Feb**	**€m**	**13470**	**13480**	**13 720**	**13 415**
14:00	**PL**	**Imports**	**Feb**	**€m**	**12836**	**12980**	**12 937**	**12 478**
		TUESDAY (14 April)						
11:00	EZ	Industrial output	Feb	%MoM	0.4	-		-0.1
14:00	**PL**	**Money supply**	**Mar**	**%YoY**	**8.6**	**8.5**		**8.8**
14:30	US	Retail sales	Mar	%MoM	1.0	-		-0.6
		WEDNESDAY (15 April)						
	PL	**MPC decision**		**%**	**1.50**	**1.50**		**1.50**
13:45	EZ	ECB decision		%	0.05	-		0.05
14:00	**PL**	**CPI**	**Mar**	**%YoY**	**-1.4**	**-1.3**		**-1.6**
15:15	US	Industrial output	Mar	%MoM	-0.3	-		0.1
20:00	US	Fed Beige Book						
		THURSDAY (16 April)						
14:00	**PL**	**Core inflation**	**Mar**	**%YoY**	**0.4**	**0.4**		**0.4**
14:30	US	Initial jobless claims	week	k	-	-		281
14:30	US	House starts	Mar	k	1040	-		897
14:30	US	Building permits	Mar	k	1080	-		1092
16:00	US	Philly Fed index	Apr	pts	5.0	-		5.0
		FRIDAY (17 April)						
10:00	**PL**	**Fiscal notification: general government balance**	**2014**	**% GDP**	**-**	**3.2**		**4.3**
11:00	EZ	HICP	Mar	%YoY	-0.1	-		-0.3
14:00	**PL**	**Wages in corporate sector**	**Mar**	**%YoY**	**3.3**	**3.4**		**3.2**
14:00	**PL**	**Employment in corporate sector**	**Mar**	**%YoY**	**1.2**	**1.2**		**1.2**
14:30	US	CPI	Mar	%MoM	0.3	-		0.2
16:00	US	Flash Michigan	Apr	pts	93.7	-		93.0

Source: BZ WBK, Reuters, Bloomberg

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

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Rates Area, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 88, email ekonomia@bzwbk.pl, http://www.bzwbk.pl.