Bank Zachodni WBK
Grupa Santander

EYEOPENER

28 April 2015

EURPLN again below 4.00

- **Mixed moods on the markets, Fitch downgraded Japan's credit rating, Greece reshuffled its negotiating team**
- **MPC's Hausner: rates on hold for a longer time**
- **Zloty slightly stronger versus main currencies, EURUSD with no major changes**
- **Minor changes in the domestic debt quotations**
- **Today US consumer confidence**

The week started with mixed moods on the financial markets. The lack of agreement on bailout for Greece weighed on sentiment. Another negative factor was Fitch's decision to downgrade Japan's sovereign rating from A+ to A, with stable outlook. The agency wrote in the comment to decision that the Japanese government did not plan sufficient reforms that would fill the gap in budget revenues after VAT tax reduction. In the second part of the day the media informed that Greece reshuffled the negotiation team in order to improve communication with Brussels, which was perceived as good news, reducing finance minister Yanis Varoufakis' influence on bailout negotiations. The decision was positive for markets and triggered a rebound; European equities trimmed morning losses, Greek bonds gained, and emerging markets currencies (including zloty) strengthened. During the night the Greek PM Alexis Tsipras said that the agreement with creditors should take place "at the start of May at the latest". He added that calling a referendum is possible if the EU does not agree for a compromise solution.

MPC's Jerzy Hausner said in an interview for Wall Street Journal that interest rates should remain at unchanged level for a prolonged time, as the economic outlook is good and the MPC's term in the office is nearing the end. In his view, economic growth this year may be even higher than 3.4%. MPC member added that even the perspective of strengthening of the zloty, which has been "pushed higher" by the ECB's asset purchases, should not trigger the monetary policy reaction in Poland. It was yet another comment of the MPC member, confirming that the monetary easing cycle is over and strong zloty should not have influence on monetary policy. The comment is consistent with our scenario that interest rates will remain unchanged for at least next 12 months.

Monday's session in EURUSD market was very calm, despite lack of agreement on Greek bailout. The rate was moving in a narrow range 1.082-1.089, awaiting new data releases from the USA and FOMC meeting (today the two-day meeting starts). At the opening of today's session the EURUSD is hovering near 1.089, getting closer to the upper end of the fluctuations range 1.045-1.105. Awaiting tomorrow's FOMC decision we do not expect to see any significant currency movements; the positive news from Greece should stabilize EURUSD near current levels.

On Monday the Polish zloty and other emerging market currencies gradually strengthened against the main currencies after weaker opening. EURPLN temporarily fell to 3.99 from c4.04 at the beginning of the session, while USDPLN declined towards 3.67. At the same time EURHUF dropped below 300 from c304 at opening of the session. During Asian trade the zloty has continued its strengthening and today morning it is trading near 3.984 against the euro and around 3.66 against the US dollar. Today the domestic currency will stay under influence of external factors. We think that the fluctuation range for the EURPLN between 3.965 and 4.05 remains valid.

In the domestic interest rate market Monday's session did not bring any noticeable changes. Bond yields and IRS were hovering around the opening levels for the better part of the day amid very low investors' activity. Only when yields started to rise in the core market in the final trading hours, Polish rates also moved up, mainly in the belly and long end of the curves (by 1-3bp). We do not expect any big changes to take place today as the market is waiting for the outcome of the tomorrow's FOMC meeting.

Polish Finance Ministry announced that it will carry CHF-denominated bond auction in the coming days. Deputy finance minister, Artur Radziwiłł, said that the offer's value will not be big and cash collected will be allotted to buyback part of CHF1.5bn bonds maturing in May. The finance the whole buyback the Ministry will use also its currency reserves.

According to the „Puls Biznesu" daily, chief economist of the Polish Finance Ministry, Ludwik Kotecki, will leave to the IMF where he will replace Dominik Radziwiłł.

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FX market

Today's opening

EURPLN	3.9925	CZKPLN	0.1451
USDPLN	3.6731	HUFPLN*	1.3285
EURUSD	1.0869	RUBPLN	0.07
CHFPLN	3.8413	NOKPLN	0.4746
GBPPLN	5.593	DKKPLN	0.5351
USDCNY	6.2066	SEKPLN	0.4258

*for 100HUF

Last session in the FX market 27/04/2015

	min	max	open	close	fixing
EURPLN	3.984	4.047	4.042	3.990	4.0214
USDPLN	3.650	3.727	3.715	3.658	3.7115
EURUSD	1.082	1.093	1.087	1.091	-

Interest rate market 27/04/2015

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS1016 (2L)	1.62	0	23.04.2015	OK0717	1.645
DS1019 (5L)	2.09	2	23.04.2015	PS0420	2.083
DS0725 (10L)	2.47	2	12.03.2015	DS0725	2.366

IRS on the interbank market**

Term	PL %	PL Change (bps)	US %	US Change (bps)	EZ %	EZ Change (bps)
1L	1.62	-1	0.46	0	0.06	0
2L	1.70	0	0.78	0	0.07	0
3L	1.80	0	1.08	0	0.10	0
4L	1.89	0	1.31	0	0.15	0
5L	1.97	0	1.49	0	0.21	0
8L	2.14	0	1.85	-1	0.40	0
10L	2.22	0	2.00	-1	0.51	1

WIBOR rates

Term	%	Change (bps)
O/N	1.57	-5
T/N	1.59	-3
SW	1.60	-1
2W	1.62	0
1M	1.63	-1
3M	1.65	0
6M	1.59	0
9M	1.60	0
1Y	1.62	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.64	-1
3x6	1.63	1
6x9	1.58	1
9x12	1.59	1
3x9	1.63	-1
6x12	1.61	0

Measures of fiscal risk

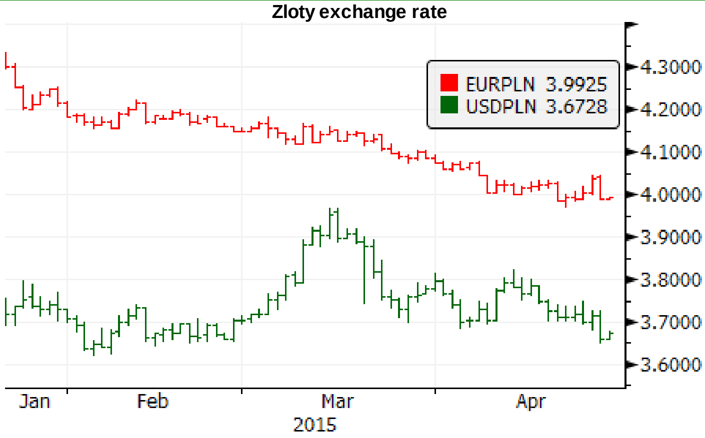
Country	CDS 5Y USD Level	CDS 5Y USD Change (bps)	10Y spread* Level	10Y spread* Change (bps)
Poland	58	0	2.31	1
Czech Rep.	47	1	0.24	-2
Hungary	135	-1	3.11	-4
Spain	102	4	1.14	-9
Italy	135	3	1.20	-9
Portugal	149	-4	1.73	-9
Ireland	51	2	0.54	-2
Germany	16	0	-	-

* 10Y treasury bonds over 10Y Bunds

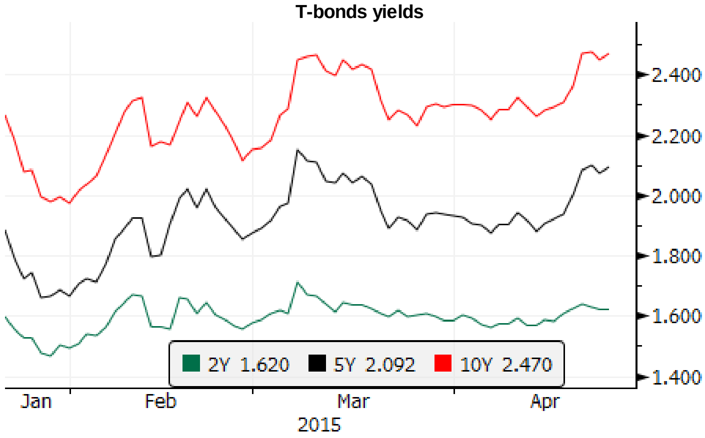
**Information shows mid levels on the interbank market at the end of the trading day

Source: Bloomberg

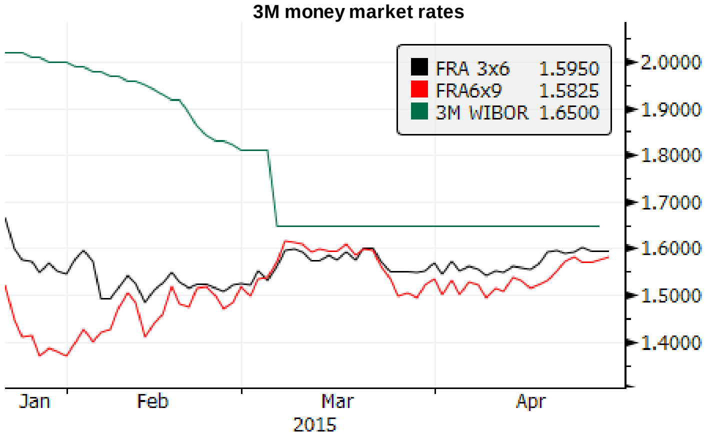
Zloty exchange rate



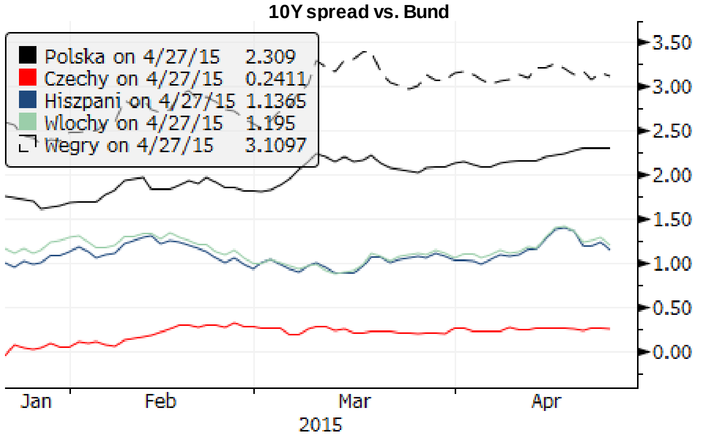
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST BZWBK	REALIZACJA	LAST VALUE*
		FRIDAY (24 April)						
10:00	DE	Ifo index	Apr	pts	108.4	-	108.6	107.9
10:00	**PL**	**Unemployment rate**	**Mar**	**%**	**11.7**	**11.7**	**11.7**	**12.0**
14:30	US	Durable goods orders	Mar	%MoM	0.6	-	4.0	-1.4
		MONDAY (27 April)						
		No important data releases						
		TUESDAY (28 April)						
16:00	US	Consumer confidence index	Apr	pts	102.5	-		101.3
		WEDNESDAY (29 April)						
14:30	US	Advance GDP	Q1	%	1.0	-		2.2
16:00	US	Pending home sales	Mar	%MoM	1.0	-		3.1
20:00	US	FOMC decision						
		THURSDAY (30 April)						
11:00	EZ	Flash HICP	Apr	%YoY	0.0	-		-0.1
14:00	**PL**	**Inflation expectations**	**Apr**	**%**	**-**	**-**		**0.2**
14:30	US	Personal income	Mar	%MoM	0.2	-		0.4
14:30	US	Consumer spending	Mar	%MoM	0.5	-		0.1
14:30	US	Initial jobless claims	week	k	-			295
		FRIDAY (1 May)						
	PL. DE	Market holiday						
16:00	US	Michigan index	Apr	pts	96.0	-		93.0
16:00	US	ISM – manufacturing	Apr	pts	52.0	-		51.5

Source: BZ WBK, Reuters, Bloomberg

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

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