Bank Zachodni WBK
Grupa Santander

EYEOPENER

12 November 2015

First sessions of Sejm and Senate after elections

- **ECB and FOMC monetary policies in focus**
- **Zloty stronger against euro and dollar**
- **Bond yields lower thanks to hope for more ECB easing**
- **Today first session of Polish parliament after elections, industrial production in the euro area, weekly labour market data in the USA**

Outlook for the ECB and Fed monetary policy were the most important drivers of trade on Tuesday. The dollar resumed the appreciation impulse thanks to higher chances for a rate hike in the U.S. in December. After Friday's much better-than-expected labour market data the probability of such a move increased from 50% to 70%, in market's view. Meanwhile, the euro zone is waiting for further monetary easing by the ECB, which can take place next month. After Monday's rumours suggesting growing consensus in the ECB about the need to cut the deposit rate further below zero, on Tuesday bonds yields in Europe were falling, while the single currency was under pressure.

EURUSD was declining since the beginning of Tuesday's session, and as a result at the end of Poland's trading hours it was below the minimum level of 1.068 reached on Friday. The US dollar has continued to benefit from increasing probability of December rate hike in the US, while the euro was still under pressure from expectations of further monetary easing by the ECB as early as the next month. Yesterday the single currency trimmed part of earlier losses thanks to cautious comments of ECB's governor Mario Draghi and today at the opening EURUSD is close to 1.075. Today afternoon there is a lot of speeches of Fed's members and their words can have the largest impact on the US dollar.

On Tuesday EURPLN fell for the second day in a row and slid below 4.24. The zloty was supported by rising expectations for further actions of the ECB and lack of controversy about candidates for economic ministers in the new government. Other CEE currencies – the forint and the ruble – also gained on Tuesday. The further decline of EURUSD triggered a rise of USDPLN, but this exchange rate remained below the Friday's high. Amid the absence of Polish investors on Wednesday, the domestic currency gained further versus the euro and the dollar – EURPLN fell to 4.205 (to the lowest level since mid-September) and USDPLN below 3.91. The zloty was underpinned by quite positive market mood and lower liquidity on the Polish market. Today at the start of the session both rates are slightly above yesterday's minimums and stock futures in Europe are falling. A few FOMC members will speak in the afternoon, including the Fed governor, and this may affect the FX market

In the domestic interest rate market there was a clear flattening of yield curves on Tuesday under influence of quite significant strengthening in the belly and at the long end. While on Monday 5Y and 10Y segments were still under pressure of expectations for December rate hike in the USA, on Tuesday the focus has shifted to hopes for further monetary easing in the euro area. Consequently, 5Y and 10Y IRS rates and bond yields fell by 5-10bp. The short end of IRS curve remained quite stable while 2Y bond benchmark strengthened by 4bp.

Today at 13:00CET the first meeting of the new Sejm starts and at 17:00 the new Senate gathers for the first time after elections. Also, the PM Ewa Kopacz will file a resignation today. President Duda has 14 days to nominate the new government but we expect he will appoint Beata Szydło for the new PM much faster. PiS wants the establish the new government as soon as possible in order to implement planned amendments to the 2016 budget draft. On Tuesday Beata Szydło said that new budget will be the first issue the new government will work on. She added, that their priorities are introducing the "PLN500 for a child" motion and lowering the retirement age.

On Wednesday, candidate for the new finance minister, Paweł Szałamacha, wrote on Facebook that PiS intends to keep the zloty as a national currency and entering the euro zone is not a priority. In his opinion, the zloty could become one of the reserve currencies, although among the less popular ones.

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FX market

Today's opening

EURPLN	4.2212	CZKPLN	0.1562
USDPLN	3.9292	HUFPLN*	1.3523
EURUSD	1.0744	RUBPLN	0.06
CHFPLN	3.9103	NOKPLN	0.4546
GBPPLN	5.9747	DKKPLN	0.5658
USDCNY	6.3678	SEKPLN	0.4525

*for 100HUF

Last session in the FX market **11/11/2015**

	min	max	open	close	fixing
EURPLN	4.207	4.245	4.242	4.211	4.2485
USDPLN	3.922	3.968	3.963	3.925	3.957
EURUSD	1.070	1.077	1.071	1.073	-

Interest rate market 11/11/2015

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS1016 (2L)	1.59	0	24.09.2015	OK0717	1.77
DS1019 (5L)	2.16	0	24.09.2015	PS0420	2.317
DS0725 (10L)	2.82	0	06.08.2015	DS0725	3.076

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.54	-1	0.65	2	-0.06	0
2L	1.55	-1	0.98	2	-0.06	0
3L	1.62	-1	1.28	3	0.00	0
4L	1.76	0	1.50	2	0.11	0
5L	1.90	0	1.68	2	0.25	0
8L	2.27	0	2.07	3	0.69	-1
10L	2.43	0	2.24	3	0.95	0

WIBOR rates

Term	%	Change (bps)
O/N	1.62	0
T/N	1.62	0
SW	1.63	0
2W	1.65	0
1M	1.67	0
3M	1.73	0
6M	1.80	0
9M	1.82	0
1Y	1.83	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.71	-1
3x6	1.62	1
6x9	1.46	2
9x12	1.38	0
3x9	1.65	-1
6x12	1.47	1

Measures of fiscal risk

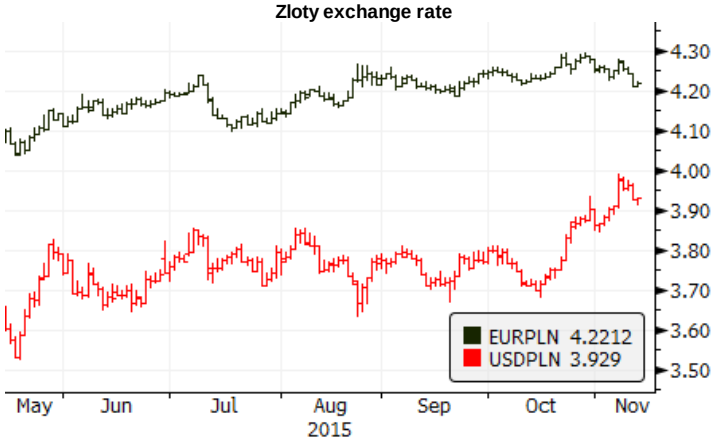
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	74	0	2.21	-9
Czech Rep.	0	0	-0.10	0
Hungary	161	-1	2.86	5
Spain	90	-1	1.22	-3
Italy	97	-1	1.02	-5
Portugal	193	2	2.12	-2
Ireland	46	-1	0.54	-4
Germany	13	0	-	-

* 10Y treasury bonds over 10Y Bunds

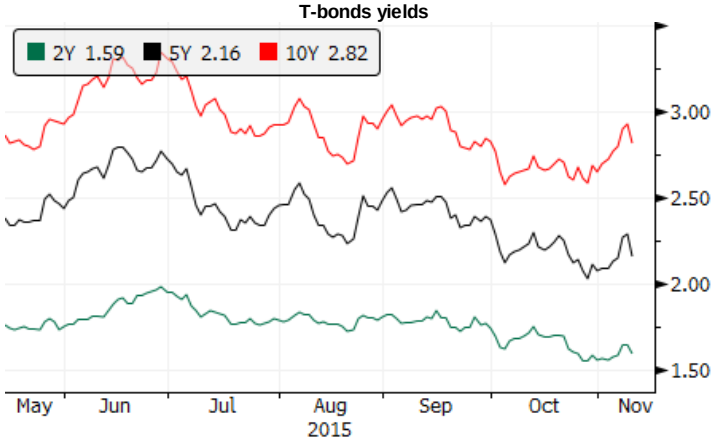
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

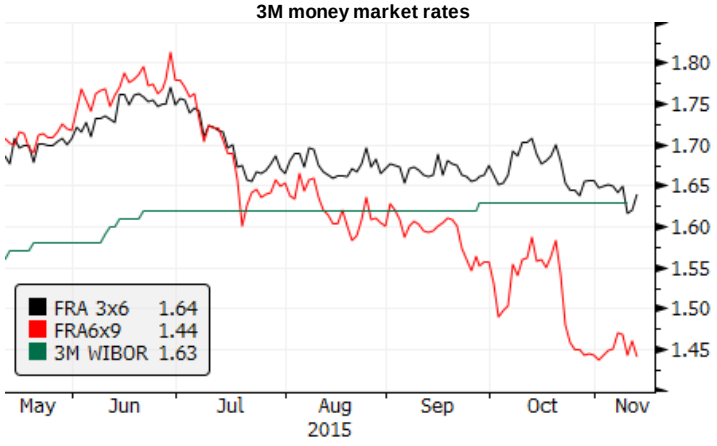
Zloty exchange rate



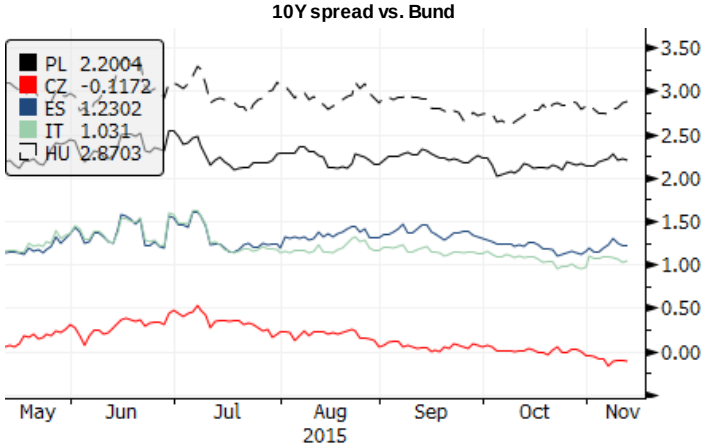
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
		FRIDAY (6 November)						
8:00	DE	Industrial output	Sep	%MoM	0.5	-	-1.1	-1.2
9:00	CZ	Industrial output	Sep	%YoY	3.5	-	0.6	6.3
14:30	US	Non-farm payrolls	Oct	k	182	-	271	137
14:30	US	Unemployment rate	Oct	%	5.0	-	5.0	5.1
		MONDAY (9 November)						
8:00	DE	Exports	Sep	%MoM	2.0	-	2.6	-5.2
9:00	CZ	CPI	Oct	%YoY	0.4	-	0.2	0.4
		TUESDAY (10 November)						
9:00	HU	CPI	Oct	%YoY	0.0	-	0.1	-0.4
		WEDNESDAY (11 November)						
	PL	**The Independence Day**						
		THURSDAY (12 November)						
11:00	EZ	Industrial output	Sep	%MoM	-0.1	-		-0.5
13:00	**PL**	**First session of the Sejm**						
14:30	US	Initial jobless claims	week	k	270	-		276
		FRIDAY (13 November)						
8:00	DE	Flash GDP	Q4	%YoY	1.8	-		1.6
9:00	CZ	Flash GDP	Q4	%YoY	4.2	-		4.6
9:00	HU	Flash GDP	Q4	%YoY	2.3	-		2.7
10:00	**PL**	**Flash GDP**	**Q4**	**%YoY**	**3.3**	**3.3**		**3.3**
11:00	EZ	Flash GDP	Q4	%YoY	1.7	-		1.5
14:00	**PL**	**CPI**	**Oct**	**%YoY**	**-0.8**	**-0.8**		**-0.8**
14:00	**PL**	**Current account**	**Sep**	**€m**	**-418**	**-519**		**-864**
14:00	**PL**	**Exports**	**Sep**	**€m**	**14 950**	**15 446**		**12 764**
14:00	**PL**	**Imports**	**Sep**	**€m**	**14 682**	**15 000**		**12 855**
14:00	**PL**	**Money supply**	**Oct**	**%r/r**	**8.2**	**8.5**		**8.4**
14:30	US	Retail sales	Sep	%MoM	0.3	-		0.1
16:00	US	Flash Michigan	Nov	pts	91.0	-		90.0

Source: BZ WBK, Reuters, Bloomberg

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

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