

# EYEOPENER

25 February 2016

## Chinese stock market tumbles again

- **US data disappointed, weak sentiment prevailing on the market**
- **EURPLN temporarily close to 4.36, EURUSD slightly up**
- **Core debt market strengthening supported Polish bonds**
- **Today important US data**

Worse than expected data released on Tuesday about German Ifo index and US consumer confidence, weighed on higher-risk assets on Wednesday. Moreover, the data about US new home sales, released during the day, were also below forecast. Declines of stock market indices deepened, which was positive for bonds in the core markets. Yields decreased, despite comment of Bundesbank chief, who said that further monetary easing may have negative side-effects, which should not be ignored. Jens Weidmann was sceptical about further ECB easing not for the first time, but it should be remembered that he will not have a voting right at the March meeting. Today's session in Asia ended with strong declines in China. Index of Shanghai stock exchange returned to the level seen one month ago. The GfK index, measuring consumer sentiment in Germany, rose in March to 9.5, its highest since October, and was higher than expected. Such data support our forecast of accelerating private consumption growth in Germany to 1.8% YoY in 1Q2016 from 1.4% YoY in 4Q2015, which is positive for Polish export's perspectives.

Yesterday, EURUSD continued the downward move and during the session it reached nearly 1.095, but ended the session slightly above the opening level due to, among other factors, worse-than-expected data from the US real estate market. Today we will see other important data from the US, but CPI inflation reading for the euro zone can also affect the market. In the case of a weaker rebound in inflation rate, expectations for further easing of monetary policy by the ECB in March could strengthen and EURUSD could continue to fall.

Yesterday, EURPLN fell temporarily to 4.36 despite higher risk aversion on the market. The zloty was outperforming its CEE peers – the forint weakened above 310 per euro from 307 (this may have been due to both weak market sentiment and dovish rhetoric of the Hungarian central bank), while USDRUB rebounded to 77.5 from 76 (due to falling oil prices). At the end

of the Polish session EURPLN returned to 4.38 and it seems that yesterday's temporary strengthening was due to cautious comments of the new MPC members. However, the domestic currency failed to maintain its gains under pressure of weak global sentiments and it seems that today PLN will depend on global risk appetite.

On the domestic interest rate market curves flattened quite significantly, mainly in the case of IRS. This was due to noticeable strengthening seen in the belly and long end of the curves amid rising demand for safe assets and lower Bund yields. Consequently, 2-10 spread for IRS fell 7bp to 69bp and for bonds 4bp to 143bp. 5Y and 10Y yields reached their lowest levels since mid-January. This time Polish 10Y benchmark underperformed Bund and the spread rose back to 274bp from 270bp.

Deputy finance minister, Piotr Nowak, said yesterday that after the last bond auction the Finance Ministry has 39% of the this year's gross borrowing needs covered. In his view, reaching a 50% mark in 1Q is likely, but not for any price.

The European Commission wants to take actions aimed at more effective VAT collection for cross-border transactions. According to the EC, annual losses for the whole EU due to tax evasion in these transactions amount to €50bn. This initiative may be supportive for the government's plans to cut VAT collection gap in Poland.

Polish Financial Supervision Authority filled a motion for bankruptcy of SKOK Polska credit union. Total cash deposited in this institution amounts to PLN172.9mn. Bankruptcy of a next such institution will weigh on the Bank Guarantee Fund and the banking system.

According to Henryk Kowalczyk, head of government's standing committee, tomorrow the government will show the new assumptions of trade tax proposal. Kowalczyk said also that the government wants to withdraw from the idea of higher trade tax on Saturdays. According to media rumours, the proposal will include a flat tax rate.

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**FX market**

**Today's opening**

EURPLN	4.3766	CZKPLN	0.1618
USDPLN	3.9707	HUFPLN*	1.4112
EURUSD	1.1023	RUBPLN	0.0518
CHFPLN	4.0131	NOKPLN	0.4575
GBPPLN	5.5236	DKKPLN	0.5865
USDCNY	6.5339	SEKPLN	0.4676

\*for 100HUF

**Last session in the FX market 24/02/2016**

	min	max	open	close	fixing
EURPLN	4.358	4.381	4.359	4.379	4.372
USDPLN	3.948	3.978	3.952	3.973	3.9803
EURUSD	1.099	1.105	1.103	1.102	-

**Interest rate market 24/02/2016**

**T-bonds on the interbank market\*\***

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0418 (2Y)	1.44	-1	04.02.2016	OK1018	1.665
PS0421 (5Y)	2.17	-5	18.02.2016	PS0421	2.219
DS0726 (10Y)	2.88	-3	04.02.2016	DS0726	3.168

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.49	-1	0.71	-1	-0.16	0
2L	1.49	-2	0.78	-2	-0.16	1
3L	1.54	-2	0.88	-3	-0.12	1
4L	1.64	-4	0.99	-3	-0.05	1
5L	1.74	-6	1.11	-3	0.04	1
8L	2.02	-8	1.40	-4	0.35	-1
10L	2.18	-9	1.56	-4	0.54	-1

**WIBOR rates**

Term	%	Change (bps)
O/N	1.19	-1
T/N	1.22	-2
SW	1.49	-1
2W	1.54	-1
1M	1.57	0
3M	1.68	0
6M	1.74	0
9M	1.75	0
1Y	1.76	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	1.58	0
3x6	1.47	-4
6x9	1.41	1
9x12	1.38	1
3x9	1.53	0
6x12	1.44	2

**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	94	1	2.75	1
France	35	1	0.37	1
Hungary	165	0	3.05	0
Spain	115	3	1.47	2
Italy	146	4	1.38	3
Portugal	329	-4	3.30	9
Ireland	67	1	0.82	0
Germany	22	2	-	-

\* 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**



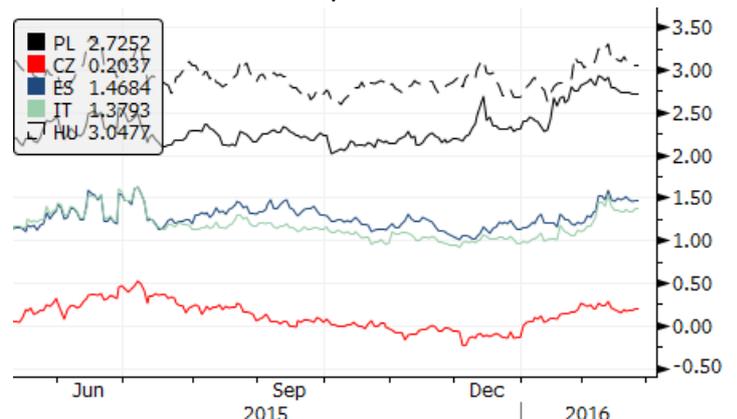
**T-bonds yields**



**3M money market rates**



**10Y spread vs. Bund**



## Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	BZWBK			
<b>FRIDAY (19 February)</b>								
14:30	US	CPI	Jan	%MoM	-0.1	-	0.0	-0.1
<b>MONDAY (22 February)</b>								
9:30	DE	Flash PMI – manufacturing	Feb	pts	52.0	-	50.2	52.3
10:00	EZ	Flash PMI – manufacturing	Feb	pts	52.0	-	51.0	52.3
<b>TUESDAY (23 February)</b>								
8:00	DE	GDP	Q4	%YoY	1.3	-	1.3	1.7
<b>10:00</b>	<b>PL</b>	<b>Unemployment rate</b>	<b>Jan</b>	<b>%</b>	<b>10.3</b>	<b>10.3</b>	<b>10.3</b>	<b>9.8</b>
10:00	DE	Ifo index	Feb	pts	106.8	-	105.7	107.3
14:00	HU	Central bank decision		%	1.35	-	1.35	1.35
16:00	US	Consumer confidence index	Feb	pts	97.3	-	92.2	97.8
16:00	US	Home sales	Jan	m	5.34	-	5.47	5.45
<b>WEDNESDAY (24 February)</b>								
16:00	US	New home sales	Jan	k	520	-	494	544
<b>THURSDAY (25 February)</b>								
11:00	EZ	HICP	Jan	%YoY	0.4	-		0.2
14:30	US	Initial jobless claims	week	k	270	-		262
14:30	US	Durable goods orders	Jan	%MoM	2.7	-		-5.0
<b>FRIDAY (26 February)</b>								
14:30	US	Preliminary GDP	Q4	%QoQ	0.5	-		0.7
14:30	US	Personal income	Jan	%MoM	0.4	-		0.3
14:30	US	Consumer spending	Jan	%MoM	0.3	-		0.0
16:00	US	Michigan index	Feb	pts	91.0	-		92.0

Source: BZ WBK, Reuters, Bloomberg

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

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