EYEOPENER

8 March 2016

Chinese exports dropped significantly

- **Correction of investors' optimism despite quite good data from the US and Germany, weak data from China and Japan**
- **EURPLN still moving sideways, well above local minimum, small changes in EURUSD**
- **IRS and yields of Polish bond down at the start of the week**
- **Today's focus on data from Hungary and the euro zone**

The beginning of the week saw major changes on the global market within prices of stocks, commodities and bonds, while the FX market reported no significant changes. Despite surprisingly positive Friday's data from the labour market in the USA and better than expected Monday morning data from Germany, the stock indices in Europe reported declines. This positively influenced the debt of the euro zone countries which was visibly gaining despite the recent speculations pointing out that the ECB Council members see a risk of disappointing investors with their upcoming decision (the yield of the 10Y German bond reached 0.22% and closed the session near 0.20%). Yesterday, Brent oil price went up by c3% to c$40, the highest since mid December. Meanwhile, fluctuations on the FX market were quite limited on Monday.

The data from China on exports and imports were strongly disappointing and translated negatively on the moods of investors on the Asian stock exchanges. In February, Chinese exports went down by 20.6%YoY (after falling down by almost 7%YoY in January, and versus market expectations at -11.3%YoY). Chinese imports went down as well (by 8%YoY), although the scale of the decrease turned out to be smaller than expected (market expectations: -12%YoY). Weak data from Japan were also published – the final 4Q15 GDP went down by 1.1% in the annualized QoQ. As a result of the publication of this data, the Asian stock exchange session closed with a decline of most indices. Despite the weak data from China, the moods in Europe should not report any major worsening thanks to good data from the industry sector in Germany. In January, industrial output there went up by 3.3%MoM (more than the market expectations at 0.5%MoM).

EURUSD was fluctuating yesterday since the start of the day near 1.095 amid low volatility. The rate remained clearly below the local high and above the Friday's low. Today we will see important GDP data for 4Q15 from Germany and euro zone. However they should not have significant impact on the EURUSD if the readings do not differ too much from previous releases. Today at the opening the rate is hovering just above 1.10. We think the EURUSD will remain in a wide range 1.08-1.11 in anticipation of Thursday's ECB decision.

Yesterday, EURPLN was oscillating near 4.325 while USDPLN was moving close to 3.94-3.95 range. As regards other CEE currencies, the forint lost considerably versus the euro – EURHUF rebounded above 310 from 308 – and the ruble was stable versus the dollar close to 72 (yet gained at the end of the session thanks to a considerable rebound in Brent oil prices). Yesterday was the fourth session in a row when the zloty was hovering slightly above last week's local minimum at 4.31 and in our view this will repeat also today and tomorrow ahead of the ECB decision. Recently the domestic currency was gaining on hopes for a considerable monetary policy easing in the euro zone, so the decision may trigger a profit taking if it does not 'overdeliver'.

On the domestic interest rate market IRS and yields fell 2-3bp following strengthening core and peripheral bonds. The long ends gained more and so the curves flattened slightly. We think changes in the foreign market will continue to have the key impact on the Polish bonds today. Yesterday's session showed that the last week's anonymous signals from the ECB did not cool expectations for more monetary policy easing to be announced this week and so we do not expect IRS/yields to rise significantly ahead of the Thursday's ECB decision.

Yesterday late in the afternoon Reuters cited the press office of the Finance Ministry saying that minister Szałamacha signed a motion for dismissal of deputy finance minister Raczkowski. Last week Konrad Raczkowski said that several small banks will go bankrupt this year and we think that this is the reason for his dismissal.

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FX market

Today's opening

EURPLN	4.3330	CZKPLN	0.1601
USDPLN	3.9283	HUFPLN*	1.3967
EURUSD	1.1030	RUBPLN	0.0549
CHFPLN	3.9587	NOKPLN	0.4622
GBPPLN	5.5971	DKKPLN	0.5807
USDCNY	6.5066	SEKPLN	0.4638

*for 100HUF

Last session in the FX market 07/03/2016

	min	max	open	close	fixing
EURPLN	4.319	4.348	4.343	4.322	4.3292
USDPLN	3.922	3.970	3.968	3.925	3.9515
EURUSD	1.090	1.104	1.095	1.101	-

Interest rate market 07/03/2016

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0418 (2Y	1.44	0	04.02.2016	OK1018	1.665
PS0421 (5Y)	2.18	-2	18.02.2016	PS0421	2.219
DS0726 (10Y)	2.92	-5	04.02.2016	DS0726	3.168

IRS on the interbank market**

Term	PL %	PL Change (bps)	US %	US Change (bps)	EZ %	EZ Change (bps)
1L	1.49	-3	0.79	1	-0.17	0
2L	1.49	-3	0.95	2	-0.19	0
3L	1.54	-4	1.09	3	-0.16	0
4L	1.65	-5	1.22	3	-0.09	-1
5L	1.77	-5	1.34	2	0.01	-1
8L	2.07	-5	1.62	2	0.37	0
10L	2.24	-4	1.76	2	0.60	1

WIBOR rates

Term	%	Change (bps)
O/N	1.59	5
T/N	1.59	5
SW	1.52	1
2W	1.54	0
1M	1.56	0
3M	1.67	0
6M	1.74	0
9M	1.75	0
1Y	1.76	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.59	-5
3x6	1.50	0
6x9	1.40	-4
9x12	1.36	-5
3x9	1.51	-4
6x12	1.40	-9

Measures of fiscal risk

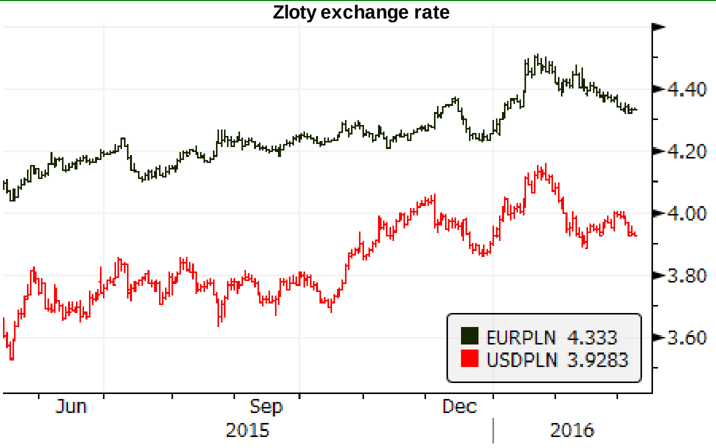
Country	CDS 5Y USD Level	CDS 5Y USD Change (bps)	10Y spread* Level	10Y spread* Change (bps)
Poland	92	0	2.75	-3
France	34	1	0.42	7
Hungary	163	0	3.04	-2
Spain	103	0	1.36	4
Italy	133	0	1.23	1
Portugal	268	7	2.90	6
Ireland	67	0	0.73	1
Germany	20	1	-	-

* 10Y treasury bonds over 10Y Bunds

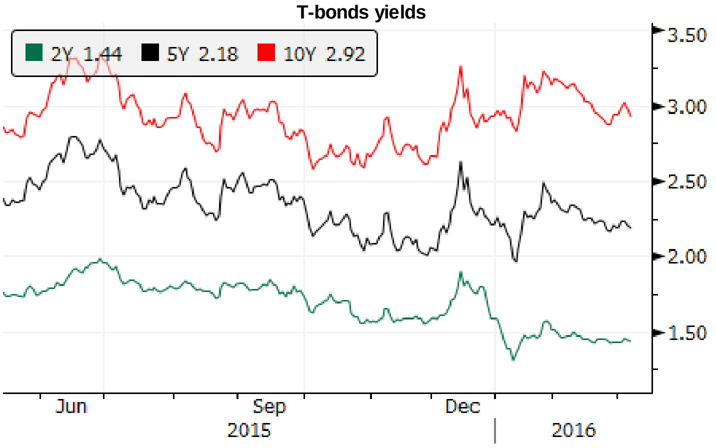
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

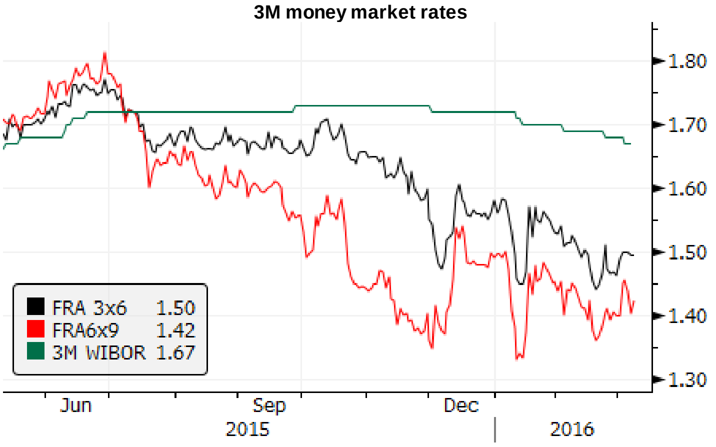
Zloty exchange rate



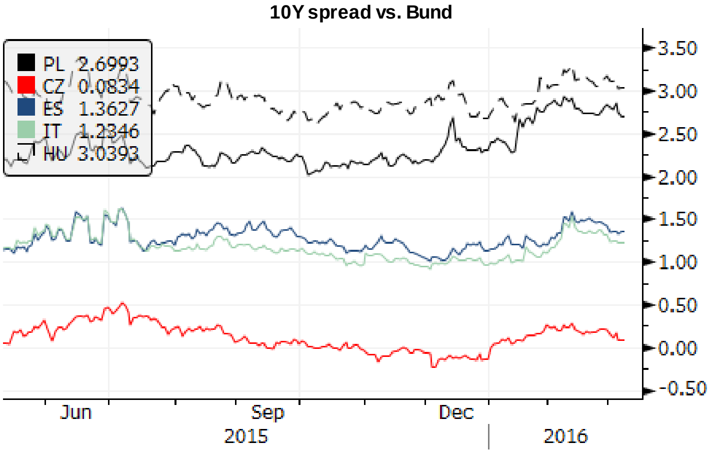
T-bonds yields



3M money market rates



10Y spread vs. Bund



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Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST BZWBK	ACTUAL VALUE	LAST VALUE*
		FRIDAY (4 March)						
9:00	CZ	GDP	Q4	%YoY	3.9	-	4.0	4.7
14:30	US	Non-farm payrolls	Feb	k	195	-	242	172
14:30	US	Unemployment rate	Feb	%	4.9	-	4.9	4.9
		MONDAY (7 March)						
8:00	DE	Factory orders	Jan	% m/m	-0.3	-	-0.1	-0.2
		TUESDAY (8 March)						
8:00	DE	Industrial production	Jan	% m/m	0.5	-	3.3	-0.3
9:00	HU	CPI	Feb	% y/y	0.5	-		0.9
9:00	HU	GDP	Q4	% y/y	3.2	-		2.4
11:00	EZ	GDP	Q4	% y/y	1.5	-		1.6
		WEDNESDAY (9 March)						
9:00	CZ	CPI	Feb	% y/y	0.5	-		0.6
		THURSDAY (10 March)						
8:00	DE	Export	Jan	% m/m	0.9	-		-1.6
13:45	EZ	ECB decision – Refinancing Rate		%	0.05	0.05		0.05
13:45	EZ	ECB decision – Deposit Rate		%	-0.40	-0.40		-0.30
14:30	US	Initial Jobless Claims	w/k	k	-	-		278
		FRIDAY (11 March)						
	PL	**MPC decision**		%	**1.50**	**1.25**		**1.50**

Source: BZ WBK, Reuters, Bloomberg
** in case of the revision, the data is updated*

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