Bank Zachodni WBK
Grupa Santander

EYEOPENER

21 June 2016

Opinion polls determining market direction

- **British opinion polls supporting market optimism**
- **Strengthening of the zloty and Polish bonds in reaction to lower risk of UK leaving the EU, EURUSD stable at higher level**
- **Adam Glapiński sworn-in as the new NBP governor**
- **Today German ZEW index, central bank decision in Hungary, speeches of ECB and Fed governors, EURO2016 Poland-Ukraine match in the evening**

In the recent weeks, global market sentiment changes has been dictated by publication of the latest polls in the UK and the beginning of this week was not different. Surveys made this weekend indicated a significant decline in support for leaving the EU, which triggered high increases in the European stock exchanges, along with substantial strengthening of bonds, sudden GBP appreciation and general improvement of global sentiment. Three out of four polls published yesterday in the evening indicated majority support for UK staying in the EU. Consequently, positive moods were also maintained during market sessions in Asia and the USA.

Yesterday, EURUSD exchange rate was hovering close to 1.135, which was reached at the session opening. Lower risk of the UK leaving the EU strengthened the euro against dollar, however the change was far from drastic. The effect of lower demand for safe currencies, which was negative for the US dollar, could be partially neutralised with higher probability of fast increase of the interest rates in the USA, provided that no turbulence will occur in the wake of the referendum. At the start of today's session EURUSD was slightly below 1.135, yet above its overnight's low of 1.13. Today, important data from Germany will be published (ZEW index for June) - however, in our opinion this index will not have a lasting impact on the EURUSD rate two days before the UK referendum.

EURPLN fell yesterday to 4.38 on the significant improvement of the global market sentiment fuelled by the next polls from the UK. Yesterday's appreciation of the Polish currency was EURPLN's biggest daily move down since mid-March. Meanwhile, USDPLN remained near 3.88. The recent weeks showed that the zloty remains very sensitive to the swings of the global market sentiment triggered by expectations regarding the outcome of the Thursday's referendum and this is unlikely to change in the coming days. Yesterday EURPLN fell quite noticeably but these were not a breaking changes and if we take a broader glance the exchange rate is still within wide 4.31-4.45 range. Today in the morning the market sentiment is good, but not that good as it was yesterday and EURPLN opened around 4.39.

On the domestic interest rate market IRS and bond yields plummeted by up to 10bp in the long ends. As a result, the 5Y IRS fell below 2% and the 10Y to 2.35%. The yield of the 10Y benchmark is only slightly more than 5bp above 3% while the 10Y spread vs Bunds narrowed to 300bp from 320bp. The trade volumes on the Polish market was quite decent yesterday.

Deputy PM, Mateusz Morawiecki, told Polish Press Agency (PAP) that within 3-4 months the government will present its ideas to changes in the income taxes (assuming integration of PIT with contributions to the state pension fund and with healthcare contributions). In his view, however, these changes will be introduced in 2018 at the earliest.

Today in the morning Adam Glapiński was sworn in by the parliament as the new central bank governor.

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FX market

Today's opening

EURPLN	4.3912	CZKPLN	0.1623
USDPLN	3.8733	HUFPLN*	1.4031
EURUSD	1.1337	RUBPLN	0.0604
CHFPLN	4.0324	NOKPLN	0.4684
GBPPLN	5.6966	DKKPLN	0.5905
USDCNY	6.5754	SEKPLN	0.4703

*for 100HUF

Last session in the FX market **20/06/2016**

	min	max	open	close	fixing
EURPLN	4.406	4.449	4.416	4.412	4.3945
USDPLN	3.908	3.955	3.941	3.914	3.8724
EURUSD	1.121	1.130	1.121	1.128	-

Interest rate market **20/06/2016**

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0418 (2Y	1.72	-3	9.06.2016	OK1018	1.708
PS0421 (5Y)	2.37	0	25.05.2016	PS0721	2.454
DS0726 (10Y)	3.05	-1	9.06.2016	DS0726	3.05

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.68	-1	0.77	2	-0.17	0
2L	1.69	-2	0.88	4	-0.19	1
3L	1.74	-3	0.97	4	-0.17	2
4L	1.85	-5	1.06	5	-0.12	2
5L	1.96	-6	1.15	5	-0.05	2
8L	2.23	-6	1.42	6	0.28	3
10L	2.37	-6	1.55	6	0.49	3

WIBOR rates

Term	%	Change (bps)
O/N	1.64	-13
T/N	1.64	-13
SW	1.62	-3
2W	1.63	-1
1M	1.64	0
3M	1.70	0
6M	1.77	0
9M	1.78	0
1Y	1.80	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.71	1
3x6	1.68	-1
6x9	1.65	-2
9x12	1.63	-2
3x9	1.74	-1
6x12	1.68	-4

Measures of fiscal risk

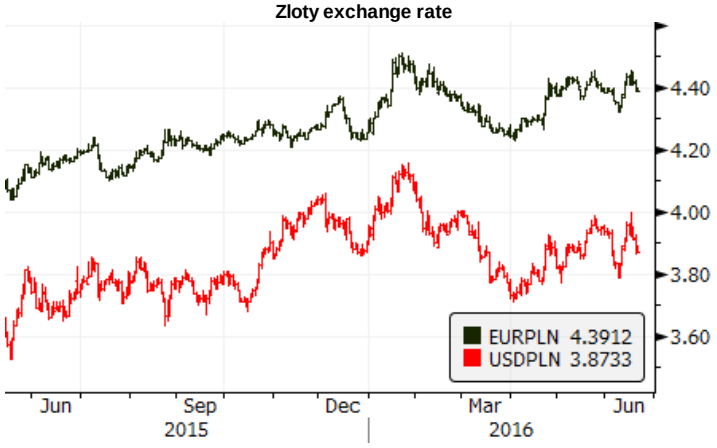
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	86	0	3.01	-12
France	37	-2	0.37	-4
Hungary	163	-3	3.30	-9
Spain	101	-3	1.43	-11
Italy	141	-5	1.38	-11
Portugal	300	-17	3.09	-19
Ireland	65	1	0.75	0
Germany	18	-1	-	-

* 10Y treasury bonds over 10Y Bunds

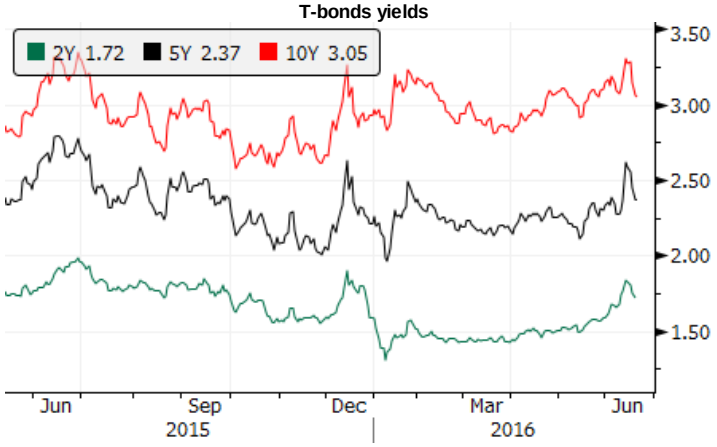
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

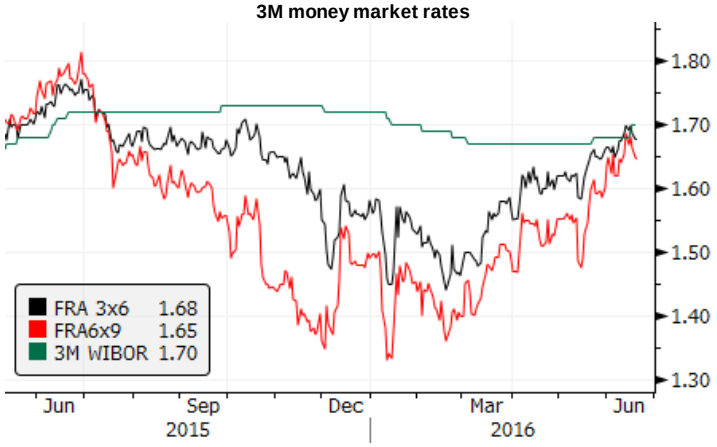
Zloty exchange rate



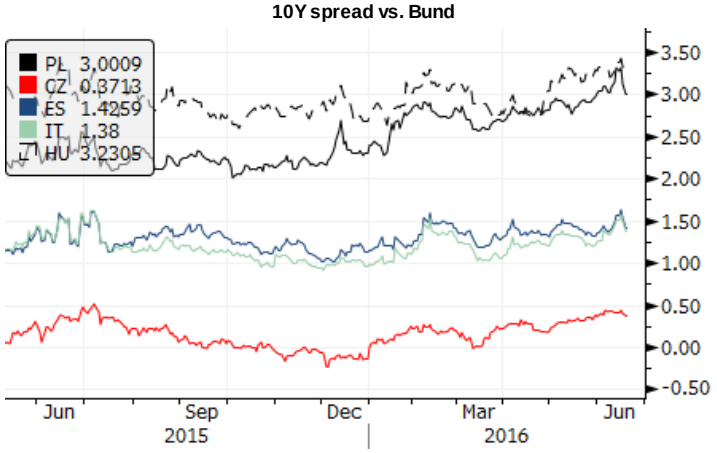
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
		FRIDAY (17 June)						
14:00	**PL**	**Industrial output**	**May**	**% y/y**	**4.6**	**5.0**	**3.5**	**6.0**
14:00	**PL**	**Construction and assembly output**	**May**	**% y/y**	**-9.2**	**-11.3**	**-13.7**	**-14.8**
14:00	**PL**	**Retail sales (constant prices)**	**May**	**% y/y**	**5.6**	**5.6**	**4.3**	**5.5**
14:00	**PL**	**PPI**	**May**	**% y/y**	**-1.0**	**-0.7**	**-0.7**	**-1.2**
14:30	US	House starts	May	k	1150	-	1164	1167
14:30	US	Building permits	May	k	1145	-	1138	1130
		MONDAY (20 June)						
		No important data releases						
		TUESDAY (21 June)						
11:00	DE	ZEW index	Jun	pts	53.0	-		53.1
14:00	HU	Central bank decision		%	0.90	-		0.90
18:00	**FR**	**EURO 2016: Ukraine – Poland**			**-**	**0-2**		
		WEDNESDAY (22 June)						
16:00	US	Home sales	May	%MoM	1.8	-		1.7
		THURSDAY (23 June)						
	UK	Voting on the EU membership						
9:30	DE	Flash PMI – manufacturing	Jun	pts	52.0	-		52.1
10:00	EZ	Flash PMI – manufacturing	Jun	pts	51.4	-		51.5
10:00	**PL**	**Unemployment rate**	**May**	**%**	**9.1**	**9.1**		**9.5**
14:00	**PL**	**MPC minutes**						
14:30	US	Initial jobless claims	week	k	-	-		277
16:00	US	New home sales	May	k	565	-		619
		FRIDAY (24 June)						
10:00	DE	Ifo index	Jun	pts	107.4	-		107.7
14:30	US	Durable goods orders	May	%MoM	-0.8	-		3.4
16:00	US	Michigan index	Jun	pts	94.1	-		94.7

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.