Bank Zachodni WBK
Grupa Santander

EYEOPENER

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Poland's credit rating unchanged

- **The ECB disappointment remains on the market, weak sentiment at the end of the week**
- **Moody's did not change Poland's sovereign credit rating**
- **Zloty under pressure against the euro and US dollar, EURUSD down**
- **Poland's IRS and yields significantly up, following global trends**

The end of the week on the global market passed in moderately bad moods, which was caused mainly by the ECB decision to keep monetary policy parameters unchanged – the move that disappointed some investors. On Friday there were no new data releases or comments, so the Thursday's ECB decision was still the most important factor. As a result, equity prices in Europe were falling, bond yields were rising, and CEE currencies were under pressure. Stock markets in the USA also fell noticeably (main indices down by over 2%). It was triggered by comments of Fed officials (Rosengren, Kaplan, Tarullo), who pointed that the FOMC should continue a gradual tightening of monetary policy.

The Eurogroup's head Jeroen Dijsselbloem appealed on Friday to Greece to hasten economic reforms, which would allow to disburse another tranche from the aid package worth €86bn in total. Payment of €2.8bn tranche was scheduled for autumn, but creditors are requesting Athens to implement next set of reforms until the end of September.

On Friday the Moody's rating agency did not update Polish rating. This mean that the rating remained at current A2 for long-term liabilities denominated in foreign currency with negative outlook. This decision was in line with our expectations and means the agency assessed that condition of Polish economy and public finance do not trigger a need to change Poland's credit score. We think that the impact of this decision should be positive for Polish assets, yet may prove temporary. Another assessment of Poland's rating will be presented by Moody's in January 2017.

EURUSD ended the day close to 1.12. In line with our suggestions on Friday, investors took profit from the earlier euro appreciation, which brought the rate down below Thursday's peak at 1.13. Today no new data are due for release, so the session should be calm. Higher volatility is possible in the evening, where a few FOMC members are scheduled to speak. After recent signals from the US, chances for a rate hike this year fell and signals from the FOMC may be important for EURUSD.

EURPLN rose above 4.34 at the end of the week, while USDPLN soared to almost 3.88. As regards, other currencies in the region, forint also depreciated versus euro, and ruble clearly lost against dollar, which was caused not only by weak sentiment, but also by falling oil prices. At today's opening the zloty is slightly stronger against main currencies. Important levels for EURPLN are support at 4.30 and resistance at 4.36.

On the domestic interest rate market IRS and yields were on the rise since the beginning of the day following the core and peripheral markets. The market was still under the pressure of no monetary policy easing announced by the ECB and not too dovish comments of Mario Draghi during the press conference. As a result, the 10Y IRS rose 8bp to c.2.25%, the 5Y rate by 6bp to 1.93%. Today's release of final August inflation should not influence the market that should be supported somewhat by the Friday's Moody's decision.

The head of the Senate's office, Jakub Kowalski, said that if Marek Chrzanowski is dismissed from the MPC in September, then his successor may be nominated on October 19-20 or November 3-4.

Today at 14:00CET the stat office releases final August CPI and we think that the flash estimate will be confirmed at -0.8% y/y. In our view the rebound in 12M CPI from -0.9% was not only due to food prices, and thus the main core inflation measure also inched up, to -0.3% y/y. Next months will see a further move up, in our view. In the next days the exports data will be crucial, particularly for the zloty. What is more, a bulk of the US macro data will be released in the second half of this week. This data will be in more focus than usual as investors are looking for some hints about the US economy performance after the surprisingly low August ISM surveys cooling down expectations for a rate hike later this month (now probability of such scenario is around 28%, down from 32% a week ago). In our view, there is still room for a decline in yields (even towards August's low), in particular on the long-end of the curves, if the US macro data support the view that Fed keeps the rates unchanged later this month. This should also be a supportive factor for the zloty.

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FX market

Today's opening

EURPLN	4.3350	CZKPLN	0.1604
USDPLN	3.8533	HUFPLN*	1.4007
EURUSD	1.1250	RUBPLN	0.0594
CHFPLN	3.9525	NOKPLN	0.4666
GBPPLN	5.1150	DKKPLN	0.5825
USDCNY	6.6791	SEKPLN	0.4543

*for 100HUF

Last session in the FX market **09/09/2016**

	min	max	open	close	fixing
EURPLN	4.305	4.328	4.321	4.325	4.3264
USDPLN	3.807	3.848	3.847	3.846	3.8385
EURUSD	1.123	1.133	1.123	1.125	-

Interest rate market 09/09/2016

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0418 (2Y	1.74	2	1.09.2016	OK1018	1.647
PS0421 (5Y)	2.29	5	18.08.2016	PS0721	2.114
DS0726 (10Y)	2.89	6	1.09.2016	DS0726	2.791

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.69	0	0.98	2	-0.21	0
2L	1.76	3	1.05	2	-0.22	2
3L	1.79	4	1.11	3	-0.21	3
4L	1.85	5	1.17	3	-0.16	2
5L	1.93	5	1.23	4	-0.11	3
8L	2.13	7	1.42	6	0.16	4
10L	2.26	8	1.52	7	0.37	6

WIBOR rates

Term	%	Change (bps)
O/N	1.63	0
T/N	1.63	0
SW	1.60	0
2W	1.62	0
1M	1.65	0
3M	1.71	0
6M	1.79	0
9M	1.80	0
1Y	1.81	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.70	0
3x6	1.69	0
6x9	1.67	0
9x12	1.66	1
3x9	1.77	0
6x12	1.74	1

Measures of fiscal risk

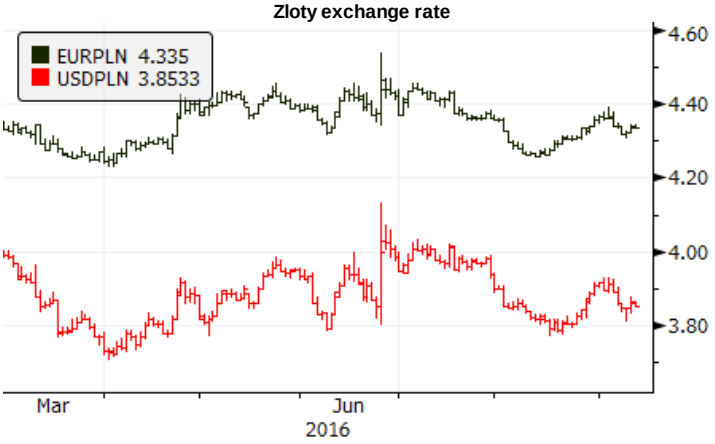
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	74	-3	2.89	2
France	28	0	0.29	1
Hungary	131	-1	2.95	-3
Spain	75	0	1.05	0
Italy	133	0	1.22	2
Portugal	281	2	3.12	4
Ireland	65	1	0.45	-1
Germany	16	0	-	-

* 10Y treasury bonds over 10Y Bunds

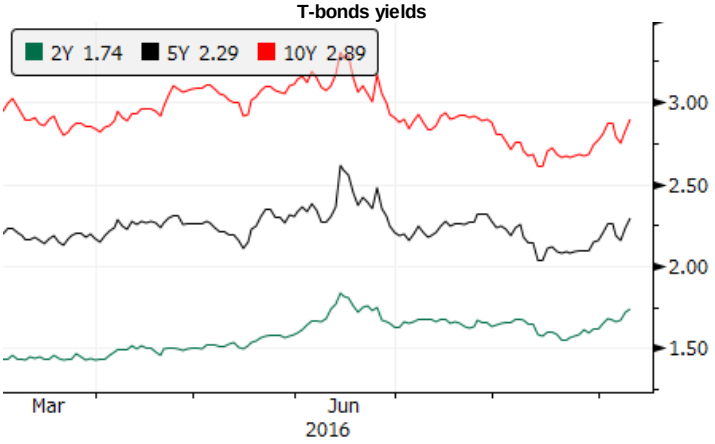
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

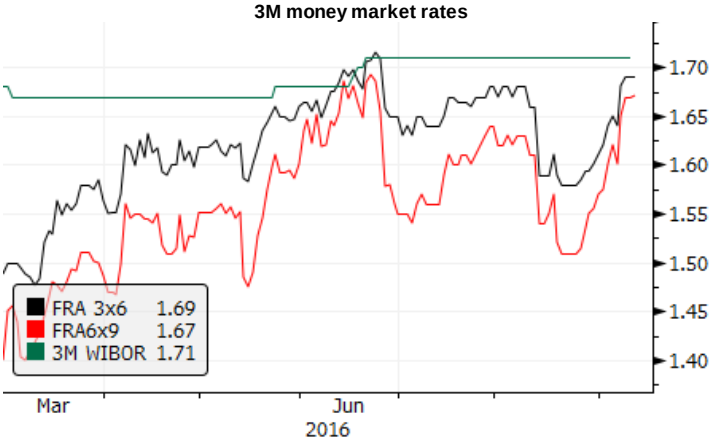
Zloty exchange rate



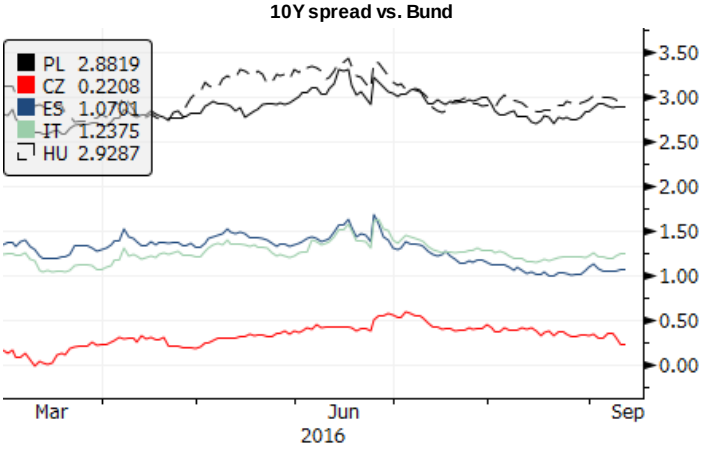
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
		FRIDAY (9 September)						
	PL	**Moody's decision**			**A2 (n)**	**A2 (n)**	**A2 (n)**	**A2 (n)**
8:00	DE	Exports	Jul	% m/m	0.4	-	-2.6	0.2
9:00	CZ	CPI	Aug	% y/y	0.7	-	0.6	0.5
16:00	US	Wholesale inventories	Jul	% m/m	0.1	-	0.0	0.0
		MONDAY (12 September)						
14:00	**PL**	**CPI**	**Aug**	**% y/y**	**-0.8**	**-0.8**		**-0.9**
		TUESDAY (13 September)						
11:00	GE	ZEW index	Sep	pts	56.0	-		57.6
14:00	**PL**	**Current account**	**Jul**	**€m**	**-397**	**-367**		**-203**
14:00	**PL**	**Exports**	**Jul**	**€m**	**13 910**	**13 665**		**15 218**
14:00	**PL**	**Imports**	**Jul**	**€m**	**13 950**	**13 697**		**14 814**
14:00	**PL**	**Core inflation**	**Aug**	**% y/y**	**-0.4**	**-0.3**		**-0.4**
		WEDNESDAY (14 September)						
11:00	EZ	Industrial output	Aug	% y/y	-0.7	-		0.6
14:00	**PL**	**Money supply**	**Aug**	**% y/y**	**10.7**	**10.5**		**10.7**
		THURSDAY (15 September)						
11:00	EZ	HICP	Aug	% y/y	0.2	-		0.2
14:30	US	Retail sales	Aug	% m/m	-0.1	-		0.0
14:30	US	Initial jobless claims	week	k	-	-		259
14:30	US	Philly Fed index	Sep	pts	1.0	-		2.0
15:15	US	Industrial output	Aug	% m/m	-0.2	-		0.7
		FRIDAY (16 September)						
14:00	**PL**	**Wages in corporate sector**	**Aug**	**% y/y**	**5.0**	**4.4**		**4.8**
14:00	**PL**	**Employment in corporate sector**	**Aug**	**% y/y**	**3.2**	**3.3**		**3.2**
14:30	US	CPI	Aug	% m/m	0.1	-		0.0
16:00	US	Flash Michigan	Sep	pts	91.0	-		89.8

Source: BZ WBK, Reuters, Bloomberg

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

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