Bank Zachodni WBK
Grupa Santander

EYEOPENER

16 September 2016

Today labour market data

- **Mixed data from the US, but hawkish interpretation prevailed**
- **Zloty gained to euro and dollar, higher EURUSD volatility**
- **Yields up globally after US data**
- **Today Polish labour market statistics and important US data**

US data released on Thursday were mixed, but it seems that the positive surprise in case of Philly Fed and the number of new unemployed was bigger than disappointment with the retail sales and industrial production. Philly Fed index surprised strongly to the upside, rising to the highest level since February 2015, while the number of new unemployed remained only slightly above the multi-year low from the first half of the year. At the same time, monthly data about retail sales and industrial output for August were only slightly worse than expected. Publication of these data triggered, as we expected, higher volatility on the global market; as a result bond yields rose and dollar only temporarily depreciated. In case of CEE currencies, there was no significant reaction to data, but the European equity markets reacted negatively. The Bank of England kept interest rates and size of its assets purchases program unchanged, in line with expectations, but it suggested that it may relax monetary policy further in case of expected economic slowdown due to Brexit. The National Bank of Switzerland did not change interest rates either. It repeated that the Swiss franc is still significantly overvalued.

EURUSD recorded a sudden increase reaching nearly the Friday peak at slightly over 1.128 and then it slowly returned to 1.123. As a result the exchange rates went up after the data publication but US readings did not manage to push EURUSD outside the range between last Friday's minimum and maximum. Important US data are due for release this afternoon but in our view they will not materially impact the market just before the weekend or the FOMC decision on interest rates on Wednesday.

EURPLN and USDPLN were falling for the second session in a row despite the US data. As a result, the zloty strengthened to 4.315 against the euro and 3.835 against the dollar. The forint also gained against the euro, the ruble strengthened slightly against the dollar which was partially caused by the recovery of oil prices. At the beginning of the session there were relatively poor moods on the global markets which may put the zloty appreciation to a halt. In our view at the end of the week EURPLN will remain within the range of 4.30-4.36 awaiting the FOMC decision next week.

Domestic interest rate market finally recorded a significant move triggered by the US data after stabilization at the beginning of the week. Investors interpreted US economy signals as slightly hawkish which caused an increase of bond yields on the global market. As a result Polish 10Y benchmark yield went up by 5bp while 10Y IRS up by 3bp. More significant changes were recorded in the middle and in the long ends so as a result both curves developed a bear steepener.

PM Beata Szydło dismissed the treasury minister Dawid Jackiewicz and now the head of the Standing Committee, Henryk Kowalczyk will supervise the process of liquidation of the Treasury Ministry that should end this year. According to the plan, duties of this ministry will be transferred to the new entity by the end of the 1Q17 and this new entity will be supervised by the PM.

Today at 14:00CET Polish labour market data is due. The numbers should confirm positive trends – solid employment growth and decent wage rise (albeit slower than in July due to the base effect), supportive for further acceleration of private consumption growth.

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FX market

Today's opening

EURPLN	4.3295	CZKPLN	0.1602
USDPLN	3.8521	HUFPLN*	1.3971
EURUSD	1.1240	RUBPLN	0.0594
CHFPLN	3.9626	NOKPLN	0.4675
GBPPLN	5.0968	DKKPLN	0.5814
USDCNY	6.6747	SEKPLN	0.4540

*for 100HUF

Last session in the FX market 15/09/2016

	min	max	open	close	fixing
EURPLN	4.335	4.355	4.352	4.340	4.3356
USDPLN	3.846	3.885	3.873	3.856	3.8587
EURUSD	1.120	1.127	1.124	1.125	-

Interest rate market 15/09/2016

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0418 (2Y	1.76	2	1.09.2016	OK1018	1.647
PS0421 (5Y)	2.30	-1	18.08.2016	PS0721	2.114
DS0726 (10Y)	2.93	3	1.09.2016	DS0726	2.791

IRS on the interbank market**

Term	PL %	PL Change (bps)	US %	US Change (bps)	EZ %	EZ Change (bps)
1L	1.69	0	0.94	-1	-0.21	0
2L	1.76	1	1.00	-1	-0.22	0
3L	1.81	2	1.07	-1	-0.21	0
4L	1.88	3	1.14	0	-0.16	1
5L	1.97	3	1.21	0	-0.10	1
8L	2.19	3	1.43	1	0.19	2
10L	2.32	3	1.55	2	0.39	3

WIBOR rates

Term	%	Change (bps)
O/N	1.64	1
T/N	1.64	1
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	0
3x9	1.77	0
6x12	1.75	0

Measures of fiscal risk

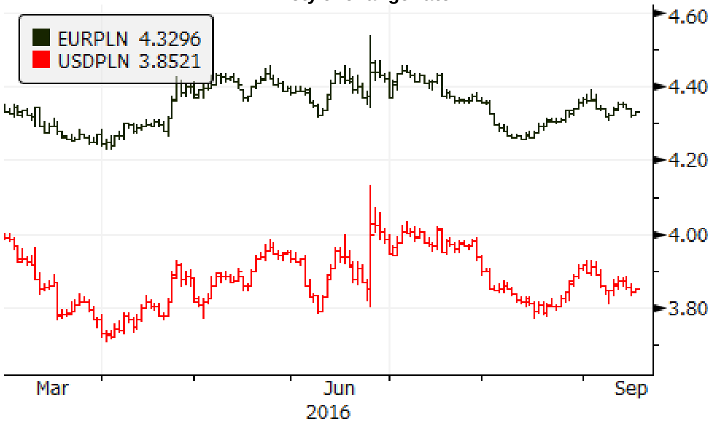
Country	CDS 5Y USD Level	CDS 5Y USD Change (bps)	10Y spread* Level	10Y spread* Change (bps)
Poland	74	-3	2.86	-2
France	27	0	0.30	0
Hungary	131	-1	2.97	1
Spain	74	0	1.04	-1
Italy	130	0	1.30	3
Portugal	290	2	3.38	15
Ireland	65	1	0.46	0
Germany	16	0	-	-

* 10Y treasury bonds over 10Y Bunds

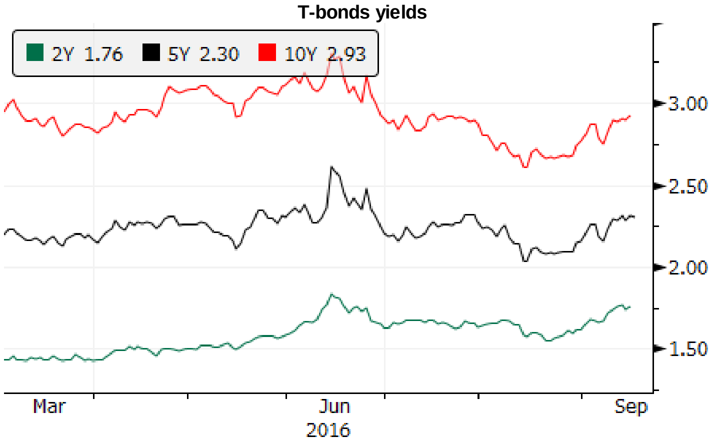
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

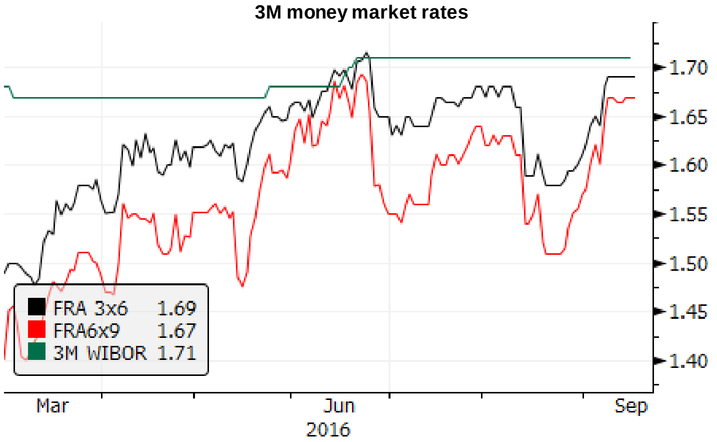
Zloty exchange rate



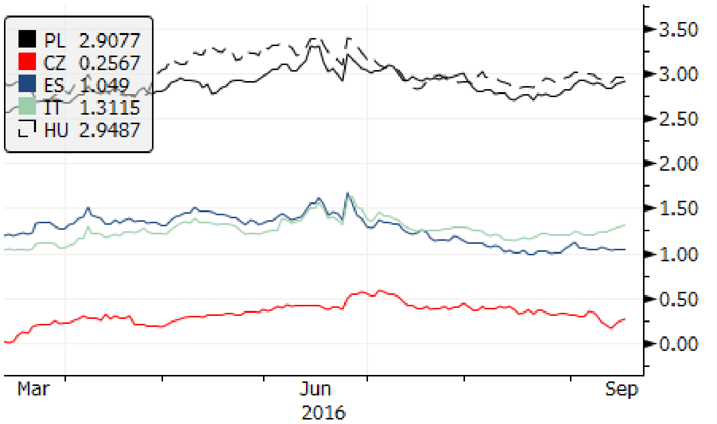
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST BZWBK	ACTUAL VALUE	LAST VALUE*
		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**	**-0.8**	**-0.9**
		TUESDAY (13 September)						
11:00	GE	ZEW index	Sep	pts	56.0	-	55.1	57.6
14:00	**PL**	**Current account**	**Jul**	**€m**	**-438**	**-367**	**-802**	**-203**
14:00	**PL**	**Exports**	**Jul**	**€m**	**13 780**	**13 665**	**13 519**	**15 218**
14:00	**PL**	**Imports**	**Jul**	**€m**	**13 925**	**13 697**	**13 832**	**14 814**
14:00	**PL**	**Core inflation**	**Aug**	**% y/y**	**-0.4**	**-0.4****	**-0.4**	**-0.4**
		WEDNESDAY (14 September)						
11:00	EZ	Industrial output	Aug	% y/y	-1.0	-	-1.1	0.6
14:00	**PL**	**Money supply**	**Aug**	**% y/y**	**10.7**	**10.5**	**10.0**	**10.7**
		THURSDAY (15 September)						
11:00	EZ	HICP	Aug	% y/y	0.2	-	0.2	0.2
14:30	US	Retail sales	Aug	% m/m	-0.1	-	-0.3	0.1
14:30	US	Initial jobless claims	week	k	265	-	260	259
14:30	US	Philly Fed index	Sep	pts	1.0	-	12.8	2.0
15:15	US	Industrial output	Aug	% m/m	-0.2	-	-0.4	0.6
		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	90.6	-		89.8

Source: BZ WBK, Reuters, Bloomberg

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

*** estimate after CPI inflation data*

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Financial Management Division, 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.