Bank Zachodni WBK
Grupa Santander

EYEOPENER

17 February 2017

Today another important domestic data

- **The USA data better than expected**
- **In Poland wages and employment growth accelerated in January**
- **The zloty under pressure against the euro, EURUSD slightly up**
- **Yields in Poland and abroad gradually down**
- **Today in Poland data on production and retail sales**

Following greater optimism on Wednesday, the market moods were cooling down since the beginning of Thursday session. That might have been triggered by the data from the US published a day earlier on industrial production worse than projected and the will to realise profits after the recent strengthening of risky assets. The data published on Thursday from the US economy were much better than expected. The weekly number of new jobless claims was below the projections and stayed on the minimum levels recorded in the last few years. In January, the number of commenced house constructions declined less than the consensus and the number of building permits was the highest since November 2015. The readings provided a minor support for risky assets and the bonds trimmed a part of earlier profits. The response of the FX market was muted.

Yesterday EURUSD rose for a second consecutive session and reached 1,067 despite good data from the US. The upward movement yesterday suggests that the investors decided to take profit from the recent visible US dollar appreciation and in our view this trend may continue also today (however, at night the rate stabilised rather than go up).

EURPLN increased yesterday the second session in a row and set a new weekly maximum at c4.323. Zloty lost due to global sentiment deceleration and lack of new factors, which could renew the downward trend of EURPLN. In the meantime, USDPLN fell to 4.045 as a result of EURUSD increase. The Hungarian forint and Russian ruble did not change much during yesterday's session. Today we will learn another domestic macro data, which may bring some information about economic situation in Poland at the start of the year. Our forecast are close to market consensus, so the zloty's reaction to this data will be rather limited. Abroad there will be no important data releases, so end of the week might be quite stable on the Polish FX market.

On the domestic interest rate market IRS and bond yields plummeted by even 5bp following the trend observed abroad. An additional support for the Polish bonds might have been provided by the successful bond auction.

Yesterday's bond auction was very successful, the Ministry of Finance sold debt for cPLN7bn amid total demand at PLN12.9bn. Just like on the previous auctions, the fixed-coupon bonds attracted the biggest demand – PLN2.11bn was collected from selling the new 30Y WS0447. Deputy finance minister Piotr Nowak said that this year's borrowing needs are covered in 43% and bond issues may be lower in the months to come.

Wages accelerated in January to 4.3% y/y, in line with expectations, while employment rose by 4.5% y/y, much stronger than our and market forecasts. This means that pace of wages growth returned to the trend observed in the previous months if we ignore the temporary deceleration to 2.7% y/y seen in December. This reading was not really impressive taking into account the positive working day effect (+2 days y/y) and a considerable hike of the minimum wage. On the other hand, the sharp rise in employment was mostly caused by the Statistics Office update the pool of researched companies. If the number of companies employing more than 9 people increased in the past year, then we see a jump in employment in January. This January was so different as compared with previous ones as last year's legislative changes in labour law caused that companies started to report employment, which earlier stayed outside statistics (as civil contracts were transformed to permanent contracts). We expect the employment growth to slow down in the months to come due to drying up supply of labour. Let us remind data LFS data show that the employment stagnated at the end of 2016. Overall, the labor market situation remains good, which in our opinion should support private consumption growth near to 4% y/y in the coming quarters, but we do not treat the yesterday's data as a sign of a marked acceleration.

Today new important data from Poland. We are expecting quite a strong reading of industrial output in January, but this, however, will be mostly caused by the working day effect (+2 days y/y). However, last weak data on German industrial output pose some risk for this forecast. In our view, construction output will be levelling off in annual terms. Retail sales (in real terms) will grow at a similar pace as earlier, according to our forecast.

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FX market

Today's opening

EURPLN	4.3118	CZKPLN	0.1596
USDPLN	4.0458	HUFPLN*	1.4018
EURUSD	1.0657	RUBPLN	0.0702
CHFPLN	4.0509	NOKPLN	0.4877
GBPPLN	5.0528	DKKPLN	0.5800
USDCNY	6.8687	SEKPLN	0.4563

*for 100HUF

Last session in the FX market **16/02/2017**

	min	max	open	close	fixing
EURPLN	4.298	4.318	4.304	4.312	4.316
USDPLN	4.065	4.089	4.074	4.074	4.0567
EURUSD	1.052	1.061	1.057	1.058	-

Interest rate market **16/02/2017**

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	2.23	0	2.02.2017	OK0419	2.168
PS0422 (5Y)	3.19	1	2.02.2017	PS0422	3.122
DS0727 (10Y)	3.82	-6	2.02.2017	DS0727	3.809

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.80	0	1.31	0	-0.21	0
2L	2.05	-1	1.57	-2	-0.14	0
3L	2.26	-1	1.77	-3	-0.06	-1
4L	2.45	-2	1.92	-3	0.04	-1
5L	2.60	-3	2.04	-4	0.15	-1
8L	2.90	-3	2.28	-5	0.53	-3
10L	3.06	-3	2.41	-3	0.76	-4

WIBOR rates

Term	%	Change (bps)
O/N	1.63	1
T/N	1.63	1
SW	1.60	0
2W	1.63	0
1M	1.66	0
3M	1.73	0
6M	1.81	0
9M	1.83	0
1Y	1.85	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.74	0
3x6	1.75	0
6x9	1.78	0
9x12	1.88	0
3x9	1.83	0
6x12	1.88	0

Measures of fiscal risk

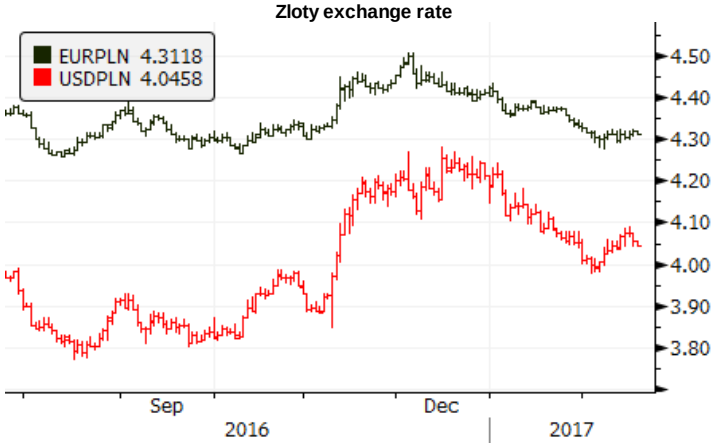
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	3.46	-7
France	56	0	0.68	2
Hungary	116	1	3.21	-1
Spain	75	-1	1.25	1
Italy	175	0	1.80	1
Portugal	283	1	3.62	1
Ireland	67	0	0.72	2
Germany	22	0	-	-

* 10Y treasury bonds over 10Y Bunds

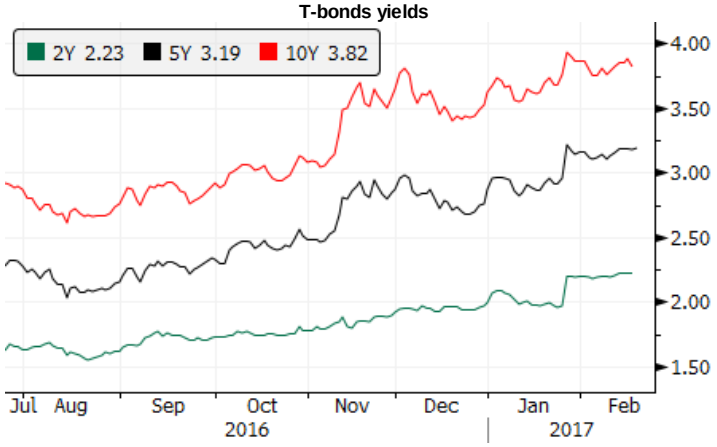
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

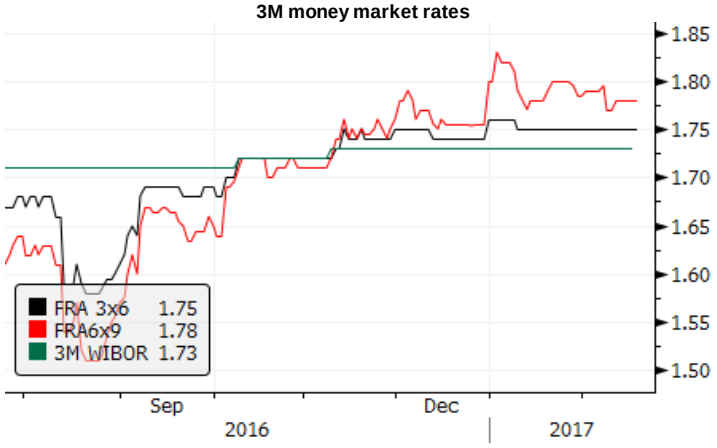
Zloty exchange rate



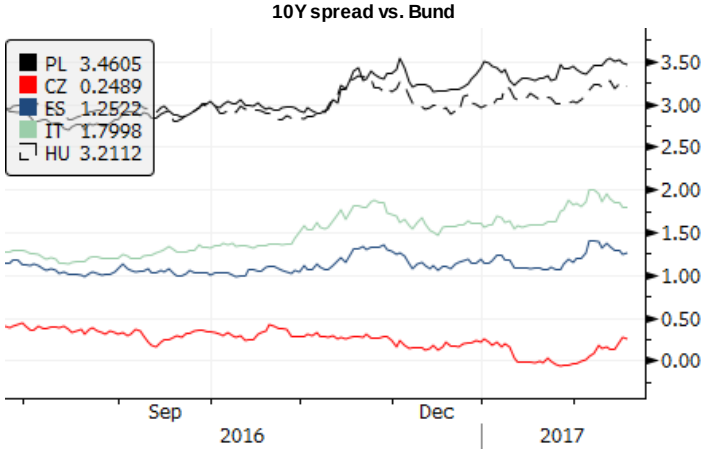
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
		FRIDAY (10 February)						
9:00	CZ	CPI	Jan	% y/y	2.0	-	2.2	2.0
16:00	US	Flash Michigan	Feb	pts.	98.0	-	95.7	98.5
		MONDAY (13 February)						
14:00	**PL**	**CPI**	**Jan**	**% y/y**	**1.7**	**1.7**	**1.8**	**0.8**
14:00	**PL**	**Current account**	**Dec**	**mln €**	**-644**	**-562**	**-533**	**-188**
14:00	**PL**	**Exports**	**Dec**	**mln €**	**14 209**	**14 116**	**14 615**	**15 953**
14:00	**PL**	**Imports**	**dec**	**mln €**	**14 503**	**14 400**	**14 766**	**15 802**
		TUESDAY (14 February)						
8:00	DE	Advance GDP	Q4	% y/y	1.4	-	1.2	1.5
9:00	HU	Advance GDP	Q4	% y/y	2.0	-	1.6	2.2
9:00	HU	CPI	Jan	% y/y	2.2	-	2.3	1.8
9:00	CZ	Advance GDP	Q4	% y/y	2.3	-	1.7	1.9
10:00	**PL**	**Advance GDP**	**Q4**	**% y/y**	**2.5**	**2.5**	**2.7**	**2.5**
11:00	EZ	Industrial output	Dec	% y/y	-1.5	-	-1.6	1.5
11:00	EZ	Advance GDP	Q4	% y/y	1.8	-	1.7	1.8
11:00	DE	ZEW index	Feb	pts	77.0	-	76.4	77.3
14:00	**PL**	**Money supply**	**Feb**	**% y/y**	**9.2**	**9.5**	**8.5**	**9.6**
		WEDNESDAY (15 February)						
14:30	US	CPI	Jan	% m/m	0.3	-	0.6	0.3
14:30	US	Retail sales	Jan	% m/m	0.1	-	0.4	1.0
15:15	US	Industrial output	Jan	% m/m	0.0	-	-0.3	0.6
		THURSDAY (16 February)						
11:00	**PL**	**Bond auction**						
14:00	**PL**	**Wages in corporate sector**	**Jan**	**% y/y**	**4.3**	**4.9**	**4.3**	**2.7**
14:00	**PL**	**Employment in corporate sector**	**Jan**	**% y/y**	**2.8**	**3.0**	**4.5**	**3.1**
14:30	US	Initial jobless claims	week	k	245	-	239	234
14:30	US	House starts	Jan	k	1226	-	1246	1279
14:30	US	Building permits	Jan	k	1230	-	1285	1228
14:30	US	Philly Fed index	Feb	pts	18.0	-	43.3	23.6
		FRIDAY (17 February)						
14:00	**PL**	**Industrial output**	**Jan**	**% y/y**	**8.1**	**8.0**		**2.3**
14:00	**PL**	**Construction and assembly output**	**Jan**	**% y/y**	**-1.7**	**-1.9**		**-8.0**
14:00	**PL**	**Real retail sales**	**Jan**	**% y/y**	**7.2**	**6.4**		**6.1**
14:00	**PL**	**PPI**	**Jan**	**% y/y**	**3.7**	**3.3**		**3.0**

Source: BZ WBK, Reuters, Bloomberg

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

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