

EYEOPENER

13 April 2017

Trump weakened the dollar

- **Pre-Easter stabilization on the market**
- **Donald Trump: dollar is too strong, rates should be low**
- **Zloty stable, other CEE currencies a bit more volatile, EURUSD up**
- **Polish IRS and bond yields slightly up**
- **Today Polish balance of payments and important US data**

On Wednesday there was a pre-Easter atmosphere on the markets. Exchange rates were stable, bond yields did not change significantly, and stock indices did not move too far from Tuesday's closing levels. Yesterday there were no relevant data that could trigger a stronger market movement. Today's data on Chinese exports have been better than expected.

Donald Trump said in an interview with the Wall Street Journal that the US dollar is too strong and would like the rates in the US to remain low. The US President also stated that China would not be classified as a currency manipulator despite previous announcements.

The EURUSD rate fluctuated around 1.06 yesterday and daily fluctuations were even smaller than on Tuesday. At night the US dollar rose above 1.066 under the influence of Trump's statement that the US currency is too strong. We think EURUSD should stabilize near the current level by the end of the week. Today we will get to know important data from the US, but we think that as before this week the EURUSD rate will not react strongly to signals from the US economy.

Yesterday EURPLN oscillated slightly below 4.25 for most of the day, while USDPLN stayed in the horizontal trend between 4.00 and 4.01. Fluctuation of other CEE currencies was slightly higher yesterday but it did not trigger any crucial moves. Polish data on the balance of payments for February will be published today. We expect the current account deficit to exceed the consensus. Over the past months, these data have not had a significant impact on the PLN rate. However, taking into

account the lower liquidity in the market and a significant appreciation of the Polish zloty in the past months, a disappointing reading could trigger for an increase in EURPLN rate.

No major changes were reported on the domestic interest rate market, while IRS and yields increased slightly. The core markets were also quite stable yesterday and slightly more pronounced moves could be observed in the eurozone peripheral markets. Overnight yields fell temporarily under impact of Trump's words on low interest rates. We believe that today moves on the Polish debt market should also remain limited.

Deputy Minister of Finance Leszek Skiba confirmed the report on very good VAT revenue in March published by Puls Biznesu, a business daily. The Deputy Minister of Finance said that dynamics of VAT revenues reached 40% y/y. In his opinion the pace of growth may not be that high in the coming months but an 11% improvement in VAT collection in the entire year is realistic.

In March core inflation excluding food and energy amounted to 0.6% y/y, lower than our estimate (0.7% y/y) and slightly higher than the market consensus (0.5% y/y). Inflation excluding most volatile prices inflation reached 1.1% y/y (0.9% y/y in February) and excluding administered prices it amounted to 2.2% y/y (2.4% y/y one month earlier). The 15% trimmed mean rose to 1.4% y/y from 1.3% y/y. March core inflation excluding food and energy turned out to be the highest since January 2015 and we expect this trend to continue in the months to come.

Today at 14:00 CET the central bank will release current account data for February. It is likely to post a small deficit, as we have recorded a weak inflow of EU funds, which were the main factor behind big surplus in January. Both growth rates of exports and imports may be much lower than in January, mainly on the back of negative working day effect and low reading of industrial output.

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FX market

Today's opening

EURPLN	4.2479	CZKPLN	0.1590
USDPLN	3.9847	HUFPLN*	1.3595
EURUSD	1.0660	RUBPLN	0.0703
CHFPLN	3.9741	NOKPLN	0.4662
GBPPLN	5.0015	DKKPLN	0.5711
USDCNY	6.8807	SEKPLN	0.4444

*for 100HUF

Last session in the FX market

12/04/2017

	min	max	open	close	fixing
EURPLN	4.230	4.252	4.238	4.245	4.2505
USDPLN	3.991	4.011	3.998	4.001	4.0026
EURUSD	1.058	1.063	1.060	1.061	-

Interest rate market

12/04/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.98	-1	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.90	1	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.44	0	23.03.2017	DS0727	3.568

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.77	0	1.37	-1	-0.22	0
2L	1.93	0	1.55	-2	-0.16	0
3L	2.08	0	1.70	-3	-0.08	0
4L	2.24	0	1.82	-3	0.03	1
5L	2.38	0	1.92	-4	0.13	-1
8L	2.69	1	2.14	-4	0.48	-1
10L	2.85	1	2.25	-4	0.70	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.65	0
T/N	1.65	0
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	1.74	0
6x9	1.77	0
9x12	1.80	1
3x9	1.80	0
6x12	1.83	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	3.25	2
France	58	1	0.72	-1
Hungary	116	1	3.09	2
Spain	81	-1	1.46	0
Italy	187	-1	2.09	0
Portugal	254	2	3.64	0
Ireland	52	0	0.72	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

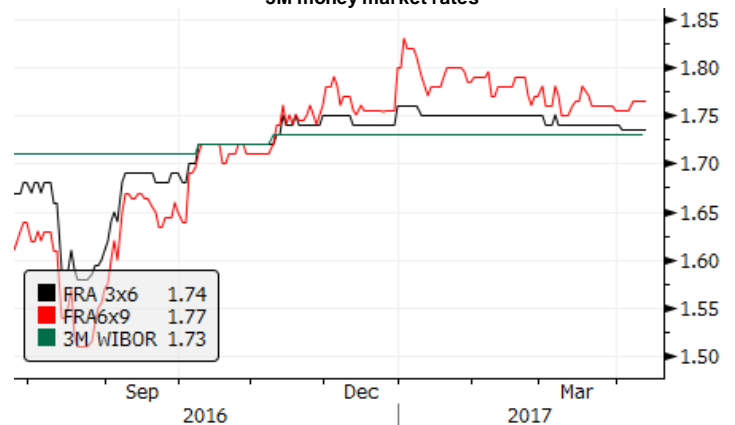
Zloty exchange rate



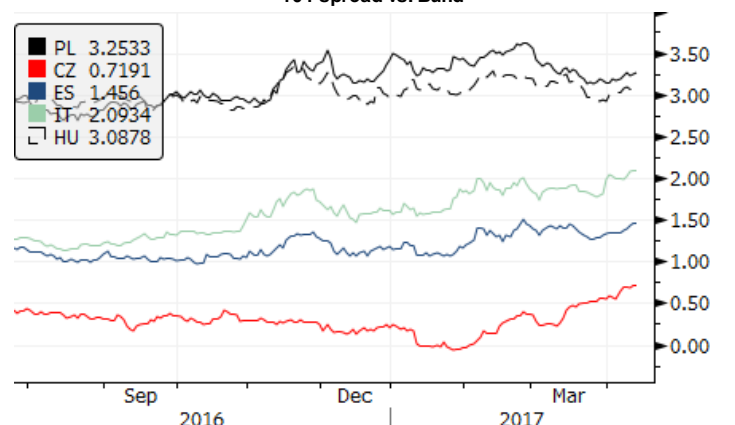
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		REALIZACJA	LAST VALUE*	
				MARKET	BZWBK			
FRIDAY (7 April)								
8:00	DE	Industrial output	Feb	% m/m	-0.2	-	2.2	2.2
8:00	DE	Exports	Feb	% m/m	-0.5	-	0.8	2.4
14:30	US	Non-farm payrolls	Mar	k	180	-	98	219
14:30	US	Unemployment rate	Mar	%	4.7	-	4.5	4.7
MONDAY (10 April)								
9:00	CZ	CPI	Mar	% y/y	2.6	-	2.6	2.5
TUESDAY (11 April)								
9:00	HU	CPI	Mar	% y/y	3.1	-	2.7	2.9
11:00	EZ	Industrial output	Feb	% y/y	1.9	-	1.2	0.2
11:00	DE	ZEW index	Apr	pts	77.5	-	80.1	77.3
14:00	PL	CPI	Mar	% y/y	2.0	2.0	2.0	2.2
WEDNESDAY (12 April)								
14:00	PL	Core inflation	Mar	% y/y	0.5	0.7**	0.6	0.5
THURSDAY (13 April)								
14:00	PL	Current account	Feb	€m	-31	-357		2457
14:00	PL	Exports	Feb	€m	15 328	15 064		14 976
14:00	PL	Imports	Feb	€m	15 250	15 300		14 751
14:30	US	Initial jobless claims	week	k	245	-		234
16:00	US	Flash Michigan	Apr	pts	96.5	-		96.9
FRIDAY (14 April)								
14:00	PL	Money supply	Mar	% r/r	8.7	8.3		8.2
14:30	US	CPI	Mar	% m/m	0.0	-		0.1
14:30	US	Retail sales	Mar	% m/m	0.0	-		0.1

Source: BZ WBK, Reuters, Bloomberg

* in case of the revision, the data is updated

** estimate after inflation data

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