

EYEOPENER

14 April 2017

C/A deficit above forecasts

- **Correction of Wednesday's optimism despite good US data**
- **Polish current account deficit above forecasts**
- **Zloty stable to euro and weaker to dollar, EURUSD trimmed Wednesday's rises**
- **Polish IRS and bond yields strongly down thanks to Donald Trump**
- **Today Polish money supply and new US data**

On Thursday the global market corrected the moves observed on Wednesday, when yields and stock indices slightly went up. European equities fell, which had a positive impact on bonds. The debt markets were clearly affected by the interview held by the Wall Street Journal with President Donald Trump saying that he would prefer interest rates to remain low. However, the negative impact of this statement on the US dollar did not persist yesterday and the US currency recovered its earlier losses against the euro, the British pound and the Japanese yen in the evening. The US data were slightly better than expected but they did not have a significant impact on trading. The US stock markets closed down on the news that the US dropped the world's biggest non-nuclear bomb in Afghanistan.

EURUSD trimmed yesterday almost the whole sharp increase from Wednesday night after the release of an interview with Donald Trump and fell to 1.061 from 1.067.

EURPLN fluctuated near 4.245 while USDPLN rose again to around 4.0 as a result of the US dollar appreciation. As regards other currencies in the CEE region, the forint was still under pressure to the euro, and the ruble gained to the dollar.

On the domestic interest rate market both IRS and yields fell quite sharply following the strengthening observed abroad. The dovish declaration of the President of the United States as well as reduced liquidity on the Polish market before Easter caused that during the day the yield of the 10-year benchmark fell by more than 6 bp (eventually ended up 5 bp).

Granżyna Ancyparowicz, a member of the MPC, said that the wait-and-see approach will continue till the first half of 2018 or longer and that the July projection will be of key importance for revision of the opinion on inflation. According to Ancyparowicz, interest rates should be raised when pay rise permanently exceeds labour effectiveness and is accompanied by growing investments. This announcement supports our projection showing that interest rates will increase as late as in 2H2018.

In February, the current account deficit amounted to €860mn versus our estimate at €357mn and market consensus at €31mn. Exports amounted to €15.044bn (+3.8% y/y) and imports reached €15.581bn (+9.1% y/y). Export was exactly in line with our forecast and it decelerated due to the lower number of working days. Import, however, was surprisingly high and this was the main factor responsible for above-forecast deficit. We expect a robust export growth in the months to come that should be driven by the economic revival in Poland's main trading partners. Imports may rise faster than exports which could deteriorate the C/A balance. 12-month current account balance amounted to + 0.1% of GDP, according to our estimates.

On the occasion of Easter, we wish our readers great time spent with your families, optimism and strength originating from the reviving life.

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FX market

Today's opening

EURPLN	4.2445	CZKPLN	0.1590
USDPLN	4.0001	HUFPLN*	1.3562
EURUSD	1.0611	RUBPLN	0.0710
CHFPLN	3.9773	NOKPLN	0.4661
GBPPLN	5.0045	DKKPLN	0.5706
USDCNY	6.8865	SEKPLN	0.4423

*for 100HUF

Last session in the FX market

13/04/2017

	min	max	open	close	fixing
EURPLN	4.243	4.252	4.245	4.245	4.245
USDPLN	3.996	4.009	4.001	4.004	3.9886
EURUSD	1.060	1.062	1.061	1.060	-

Interest rate market

13/04/2017

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)	2.86	-4	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.40	0	23.03.2017	DS0727	3.568

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.76	0	1.37	0	-0.22	0
2L	1.92	-2	1.53	-2	-0.16	0
3L	2.06	-2	1.67	-3	-0.09	-1
4L	2.21	-3	1.78	-4	0.01	-1
5L	2.34	-4	1.87	-4	0.12	-1
8L	2.64	-5	2.09	-5	0.47	-2
10L	2.80	-5	2.20	-5	0.67	-2

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	1.76	-1
9x12	1.79	-1
3x9	1.80	0
6x12	1.82	-1

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	3.21	1
France	57	-1	0.73	0
Hungary	116	1	3.08	1
Spain	82	1	1.50	4
Italy	190	3	2.12	2
Portugal	253	-1	3.68	4
Ireland	51	-1	0.73	0
Germany	18	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

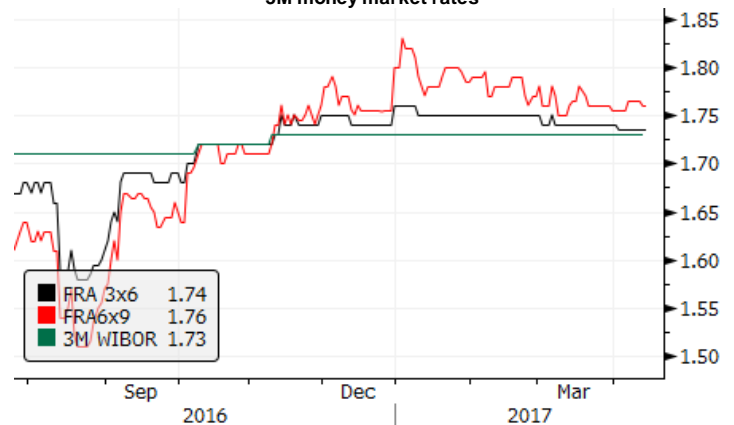
Zloty exchange rate



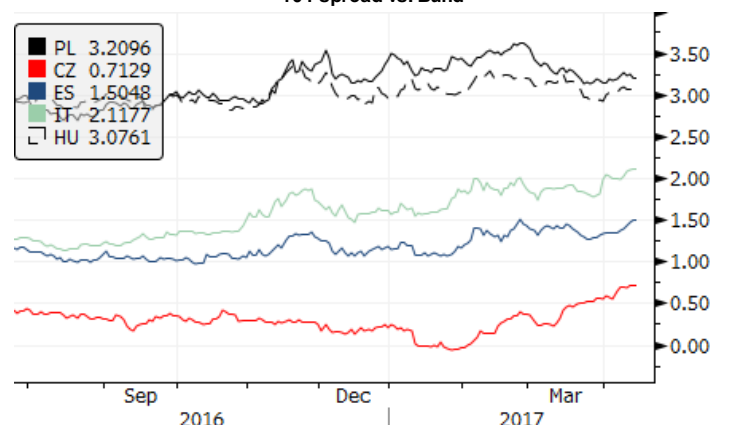
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

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	-860	2576
14:00	PL	Exports	Feb	€m	15 328	15 064	15 044	14 983
14:00	PL	Imports	Feb	€m	15 250	15 300	15 581	14 770
14:30	US	Initial jobless claims	week	k	245	-	234	235
16:00	US	Flash Michigan	Apr	pts	96.5	-	98.0	96.9
FRIDAY (14 April)								
14:00	PL	Money supply	Mar	% r/r	8.6	8.3		8.2
14:30	US	CPI	Mar	% m/m	0.0	-		0.1
14:30	US	Retail sales	Mar	% m/m	-0.1	-		0.1

Source: BZ WBK, Reuters, Bloomberg

* in case of the revision, the data is updated

** estimate after inflation data

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