

EYEOPENER

18 April 2017

Markets awaiting the impulse

- **Calm end of the last week, as most of markets were closed; slow return of activity after Easter**
- **On Friday zloty slightly stronger, EURUSD unchanged, on Monday zloty weaker and euro stronger**
- **Interest rate markets quite stable**
- **Today the US industrial output and housing market data**

On Friday most foreign markets closed for holiday and no major moves were reported at the end of the week. On Monday market activity was resumed slowly and following Easter holiday investors focused on political issues, such as the constitutional referendum in Turkey, growing tension in US - North Korea relationships and upcoming presidential election in France.

Turkey's election committee announced that supporters of the presidential governance won the constitutional referendum, gaining 51.4 percent of votes. The new system will replace the existing parliamentary one. Despite protests staged by the opposition questioning the legitimacy of the referendum, there is every likelihood that President Erdogan will gain more power in Turkey. So far, the referendum results have not had a major impact on markets.

Some slightly better-than-expected data from China were released today in the morning: GDP in Q1 increased by 6.9% y/y vs. forecast 6.8%, industrial production in March increased by 7.6% y/y (expected 6.3%) and retail sales increased by 10.9% YoY (forecast +9.7%). This information along with a slight decrease in worries about US-North Korea tensions may slightly support the risk appetite this morning.

EURUSD fluctuated on Friday near 1.062, volatility was clearly limited. Yesterday the dollar lost to the euro and EURUSD reached 1.067 which could be supported by further comments from the new US administration on the dollar strength. Today EURUSD is close to 1.064. This afternoon we will know important US data that may have some impact on the rate. The previous two weeks on EURUSD market were very calm and investors are still waiting for an impulse that will set a directional trend.

At the end of the week EURPLN fell from 4.25 to 4.24 and USDPLN went down from 4.0 to 3.99, but in both cases these

were no significant moves versus the ones from previous sessions of the last week. The forint stabilized against the euro and the rouble gained slightly more against the dollar. Yesterday EURPLN and EURHUF went up – the former exceeded 4.25 for a while, whereas the latter jumped above 3.13. Today EURPLN amounts to around 4.24 and is still hovering between the high and low established in the last week of March, waiting for a next trigger.

On Friday on the domestic interest rate market, IRS and bond yields were hovering close to Thursday levels. Today in the morning after Monday stabilization, yields and IRS rate are close to Friday levels. Start of the session is calm on the global market, which should stabilize Polish IRS and bonds, at least at the start of the day. In the afternoon, we will get to know important US data, which may affect the Polish debt via core markets.

Poland's M3 money supply rose 7.7% y/y in March, much less than we and the market expected (8.3% y/y and 8.6% y/y, respectively). Deposit growth slowed somewhat, particularly due to a significant m/m fall in deposits of companies and non-monetary institutions (the latter might have been due to insurance companies buying long term bonds). Liabilities growth accelerated slightly.

This week has a huge potential to be interesting both as regards events in Poland and abroad. We have not seen any significant market reaction to the Turkish referendum held during the weekend. Now, investors' attention is likely to shift to France. In the recent days polls showed some changes in support of particular candidates. The uncertainty regarding the outcome might weigh on the risky assets. We will also get a large bunch of important macro data, especially PMI for Germany and the euro zone and US housing market data. As regards Poland, apart from some important data (industrial and construction output, retail sales, labour market), which will help fine-tune the GDP growth forecasts for 1Q17, on Friday the S&P may review its assessment of the Polish credit rating. We do not expect the S&P decision to have any breaking impact on the Polish market as domestic macro and fiscal performance has improved since the last review.

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FX market

Today's opening

EURPLN	4.2370	CZKPLN	0.1586
USDPLN	3.9793	HUFPLN*	1.3531
EURUSD	1.0647	RUBPLN	0.0711
CHFPLN	3.9647	NOKPLN	0.4646
GBPPLN	5.0071	DKKPLN	0.5697
USDCNY	6.8889	SEKPLN	0.4421

*for 100HUF

Last session in the FX market

17/04/2017

	min	max	open	close	fixing
EURPLN	4.233	4.252	4.241	4.237	4.2395
USDPLN	3.988	4.006	3.992	3.991	3.9911
EURUSD	1.061	1.063	1.062	1.062	-

Interest rate market

17/04/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.98	0	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.91	5	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	1.34	-3	-0.22	0
2L	1.92	0	1.51	-2	-0.16	0
3L	2.06	0	1.65	-2	-0.07	0
4L	2.21	0	1.77	-2	0.01	0
5L	2.34	0	1.87	-2	0.11	-1
8L	2.64	0	2.09	-1	0.46	0
10L	2.80	0	2.20	0	0.68	0

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	1.70	-3
3x6	1.66	-7
6x9	1.76	0
9x12	1.58	-21
3x9	1.73	-7
6x12	1.66	-16

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	3.21	0
France	42	-15	0.74	1
Hungary	116	1	3.08	0
Spain	82	0	1.50	0
Italy	190	0	2.12	0
Portugal	253	-1	3.67	-1
Ireland	51	-1	0.74	1
Germany	19	1	-	-

* 10Y treasury bonds over 10Y Bunds

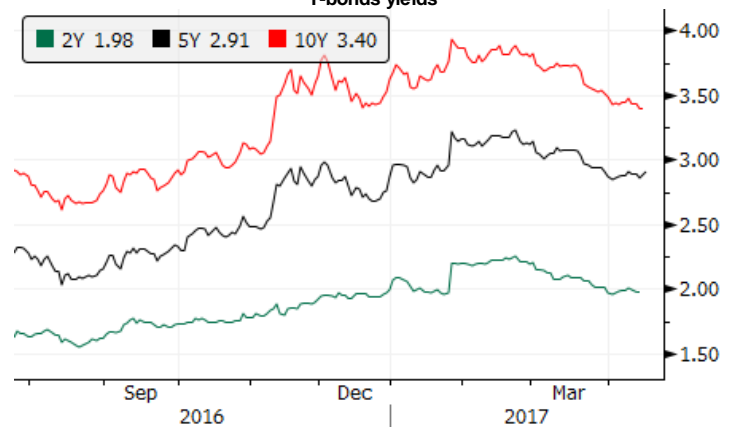
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

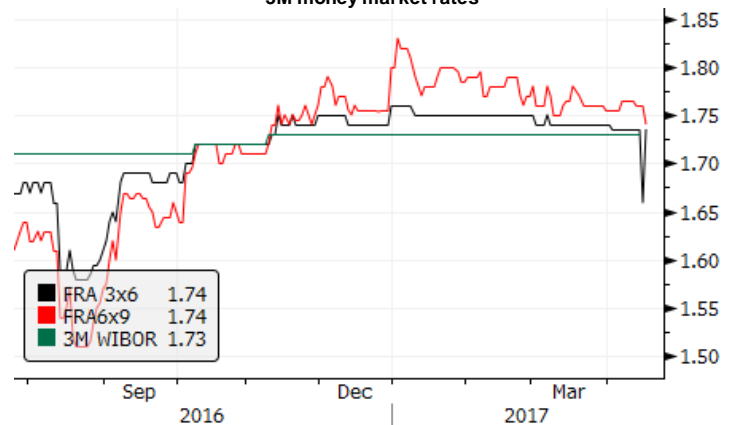
Zloty exchange rate



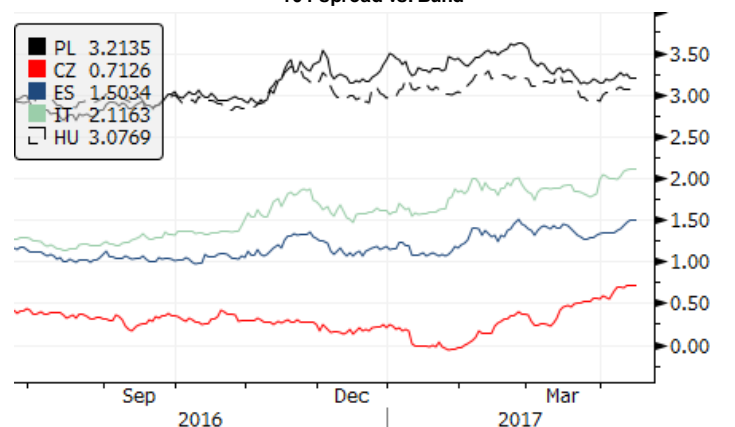
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		REALIZACJA	LAST VALUE*
				MARKET	BZWBK		
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
MONDAY (17 April)							
No important data releases							
TUESDAY (18 April)							
14:30	US	House starts	Mar	k	1253	-	1288
14:30	US	Building permits	Mar	k	1250	-	1213
15:15	US	Industrial output	Mar	%	0.5	-	0.0
WEDNESDAY (19 April)							
11:00	EZ	CPI	Mar	% y/y	1.5	-	2.0
14:00	PL	Wages in corporate sector	Mar	% y/y	4.3		4.0
14:00	PL	Employment in corporate sector	Mar	% y/y	4.6		4.6
20:00	US	Fed Beige Book					
THURSDAY (20 April)							
14:00	PL	Real retail sales	Mar	% y/y	6.6		5.2
14:00	PL	Industrial output	Mar	% y/y	7.4		1.2
14:00	PL	Construction and assembly output	Mar	% y/y	0.8		-5.4
14:00	PL	PPI	Mar	% y/y	4.6		4.4
14:30	US	Initial jobless claims	week	k	-	-	234
14:30	US	Philly Fed index	Apr	pts	25.0	-	32.8
FRIDAY (21 April)							
9:30	DE	Flash PMI – services	Apr	pts	55.5	-	55.6
9:30	DE	Flash PMI – manufacturing	Apr	pts	58.0	-	58.3
10:00	EZ	Flash PMI – services	Apr	pts	56.0	-	56.0
10:00	EZ	Flash PMI – manufacturing	Apr	pts	56.0	-	56.2
14:00	PL	MPC minutes					
16:00	US	Home sales	Mar	m	5.6	-	5.48

Source: BZ WBK, Reuters, Bloomberg

* in case of the revision, the data is updated

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