

EYEOPENER

21 April 2017

Impressive data about production in March

- **Solid moods on the global markets before the French election, despite the uncertainty about the result**
- **Very strong data from Polish manufacturing and construction**
- **Zloty slightly weaker against euro, stable vs dollar, EURUSD higher**
- **Polish interest rate market stable**
- **Today, MPC minutes, flash PMIs from Germany and euro zone, the update of Poland's rating by S&P's in the evening**

On Thursday global markets were calm. Data from the US labor market and Philadelphia Fed Index were slightly weaker than consensus. Base currency pairs remained stable and global stock markets ended day with gains.

Today we will get the flash data about April's PMIs for Germany and the euro zone. In Poland the NBP will publish the minutes after the last meeting of the Monetary Policy Council. After the session's close the S&P's agency may review the Poland's sovereign rating. We do not expect any changes of the S&P's assessment, so market implications should not be significant.

Industrial production growth in Poland accelerated in March to 11.1% y/y, and construction output to 17.2% y/y – both figures were much higher than expected. Retail sales rose 7.9% y/y in real terms, slightly above forecasts. The data for March suggested that the revival of economic activity in Poland at the start of the year was stronger than we had expected. Possibly, the pace of GDP growth in 1Q17 could have even exceeded 3.5% y/y.

Consumer confidence indexes rose in April. The current sentiment index reached -0.8pts vs -2.0pts in March and all components contributed to this increase (particularly the assessment of the current economic situation). The leading index rose to -3.1pts from -4.2pts with the improvement seen in all categories, particularly in future ability to save money. Both indexes reached their all-time high (survey started in 2004) and suggest further robust rise in the consumer demand.

Yet before the release of the Polish macro data, the World Bank presented its updated GDP growth forecast. According to the most recent estimates, the World Bank expects the pace of

economic growth to be 0.5pp higher than earlier assumed and may reach 3.3%. World Bank economists forecast the GDP growth to remain stable around 3.2% in the coming years. At the same time, the Bank takes the higher social spending under consideration which in its view could lead to slightly higher public finance deficit this year (2.6% of GDP; Polish government assumes 2.9%).

EURUSD rose to 1.077 at the very beginning of the Thursday's session and at the end of the day it was only slightly below this level. Despite the uncertainty ahead of the French elections (that was additionally intensified by shooting in Paris), the euro was the strongest vs the dollar since late March. Today in the morning we will learn the flash PMIs for Germany and the euro zone. In our view, the market impact of these figures should be limited as investors await the first round of French presidential elections.

EURPLN continued the upward move yesterday despite positive sentiment in the global market. The Polish zloty weakened to 4.27 per euro despite very good domestic data, which supported the Polish currency only temporarily. USDPLN closed the Thursday session in the region of 3.97. Other CEE currencies, including the Hungarian forint and the Czech koruna, were also under pressure. EURCZK touched almost 27.0 yesterday and, as a result the Czech currency erased all the gains posted last week after abandonment of the exchange rate 'floor' by the central bank. At the opening of today's session the Polish zloty kept losing against the euro - EURPLN was close to 4.275. In our opinion the uncertainty around the French election scheduled for the weekend will prevent the Polish currency from recovering even some of the recent losses.

The calm gripped the domestic interest rate market on Thursday and both the Polish bonds and the IRS market did not fluctuate much. As for the core markets, increases were observed in the yields on German bunds (the 10-year benchmark reached 0.25% after advancing more than 4 b.p.) and Treasuries (2.24% after a ca. 3 b.p. increase). The yield on French notes dropped ahead of Sunday presidential election and at the end of the day the 10-year bonds were priced at 0.94% (-2 b.p.).

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FX market

Today's opening

EURPLN	4.2743	CZKPLN	0.1586
USDPLN	3.9890	HUFPLN*	1.3635
EURUSD	1.0716	RUBPLN	0.0710
CHFPLN	3.9952	NOKPLN	0.4629
GBPPLN	5.1103	DKKPLN	0.5747
USDCNY	6.8825	SEKPLN	0.4437

*for 100HUF

Last session in the FX market

18/04/2017

	min	max	open	close	fixing
EURPLN	4.229	4.254	4.235	4.249	4.2631
USDPLN	3.981	3.999	3.989	3.989	3.9588
EURUSD	1.060	1.067	1.062	1.065	-

Interest rate market

18/04/2017

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)	2.85	-1	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.36	-4	23.03.2017	DS0727	3.568

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.75	-1	1.33	-2	-0.23	0
2L	1.88	-4	1.49	-2	-0.16	-1
3L	2.03	-3	1.62	-3	-0.09	-2
4L	2.17	-4	1.73	-4	0.00	-1
5L	2.30	-4	1.83	-4	0.11	0
8L	2.59	-5	2.04	-5	0.45	-1
10L	2.75	-5	2.15	-5	0.66	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.64	-1
T/N	1.64	-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	3
3x6	1.74	7
6x9	1.74	-2
9x12	1.79	21
3x9	1.81	8
6x12	1.82	16

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	3.18	-6
France	54	11	0.79	6
Hungary	116	1	3.09	-1
Spain	83	1	1.49	-2
Italy	191	1	2.08	-1
Portugal	253	0	3.63	-1
Ireland	51	0	0.71	-1
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

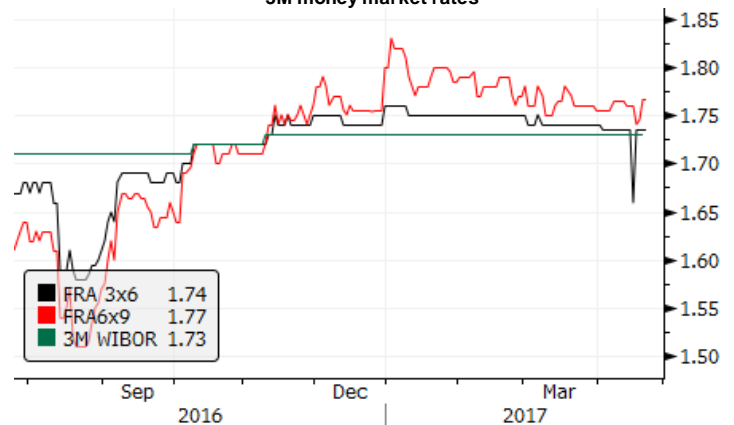
Zloty exchange rate



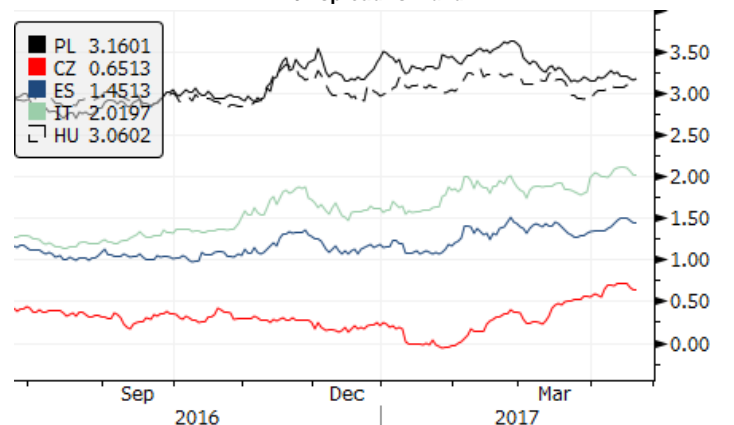
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		REALIZACJA	LAST VALUE*
					MARKET	BZWBK		
FRIDAY (14 April)								
14:00	PL	Money supply	Mar	% r/r	8.7	8.3	7.7	8.2
14:30	US	CPI	Mar	% m/m	0.0	-	-0.3	0.1
14:30	US	Retail sales	Mar	% m/m	0.0	-	-0.2	-0.3
MONDAY (17 April)								
No important data releases								
TUESDAY (18 April)								
14:30	US	House starts	Mar	k	1253	-	1215	1303
14:30	US	Building permits	Mar	k	1250	-	1260	1216
15:15	US	Industrial output	Mar	%	0.5	-	0.5	0.1
WEDNESDAY (19 April)								
11:00	EZ	CPI	Mar	% y/y	1.5	-	1.5	2.0
14:00	PL	Wages in corporate sector	Mar	% y/y	4.3	4.2	5.2	4.0
14:00	PL	Employment in corporate sector	Mar	% y/y	4.6	4.6	4.5	4.6
20:00	US	Fed Beige Book						
THURSDAY (20 April)								
14:00	PL	Real retail sales	Mar	% y/y	6.6	7.0	9.7	5.2
14:00	PL	Industrial output	Mar	% y/y	7.4	8.7	11.1	1.2
14:00	PL	Construction and assembly output	Mar	% y/y	1.0	2.1	17.2	-5.4
14:00	PL	PPI	Mar	% y/y	4.6	4.6	4.7	4.5
14:30	US	Initial jobless claims	week	k	240	-	244	234
14:30	US	Philly Fed index	Apr	pts	25.8	-	22	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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