

# EYEOPENER

27 April 2017

## Trump's tax plan disappointed

- **Trump's tax plan with no details**
- **Zloty stable, other CEE currencies under pressure, EURUSD below 1.09**
- **Polish bond yields with no changes**
- **Today ECB meeting and US data**

On Wednesday global markets were awaiting assumptions underlying the tax reform in the US. Bond markets remained steady and the global stock indexes became stable after a rally at the beginning of the week. The US dollar strengthened against the euro. Oil dropped to below USD50 a barrel, close to the lowest level in a month.

Yesterday evening the assumptions of Donald Trump's tax plan were unveiled. The plan envisages tax cuts for businesses and simpler PIT, including a lower number of tax rates (reduction from 7 to 3) and withdrawal of most tax reliefs. Trump administration also plans to repeal tax on inherited real estate and to introduce a one-off tax on funds kept by US companies at offshore institutions. However, no details of the plan or its impact on the US budget were revealed, hence rather muted market reaction.

Bank of Japan maintained its monetary policy unchanged and presented a very positive assessment of economic outlook. According to the BoJ statement, the Japanese economy is turning towards a moderate expansion. The word "expansion" has been used by the bank to describe the condition of Japanese economy for the first time since 2008.

Today the most important event will be the results of the EBC meeting. Last month the rhetoric was hawkish, but the EBC members managed to correct this impression and confirmed that currently there are no plans to change the monetary policy. If EBC's signals are dovish in fact, it may have a positive impact on CEE currencies and European bonds and negatively influence the euro. Today in the afternoon the data from the US economy will be released.

EURUSD fell yesterday below 1.09, awaiting the presentation of President Trump's tax reform. Today, the ECB conference can have a significant impact on the exchange rate. In our view,

there is a chance that the central bank rhetoric will be rather dovish and the euro may be under pressure.

The zloty remained stable against the euro and ended session close to 4.22. Yesterday Polish currency gave up Wednesday's gains against the dollar and USDPLN rose at the end of the day above 3.88. Other CEE currencies have lost more than the zloty against the major currencies. The Czech koruna weakened to the euro and yesterday was almost at the level before removing the floor in early April (EURCZK at the end of the day was 26.95). The Forint weakened yesterday to the euro and EURHUF approached 313, which could have been a continuation of the dovish rhetoric of the Hungarian central bank. Falling oil prices weighed heavily on the Russian currency - USDRUB rose yesterday to 57 from 56.1 and was at two-week high and after the biggest daily upward move since the first week of April. In our opinion, the ECB's meeting as well as a good mood on world markets today may support the zloty and currencies of the region.

After Tuesday's growth of yields, the interest rate market stabilized on Wednesday. After Wednesday's sell-off of bonds in Germany and the USA, both markets slightly strengthened. Yesterday Polish 10Y bond yield was stable around 3.45% and in our opinion the domestic debt may stay under pressure in the near future due to the growing demand for risky assets.

In Poland the Statistics Office released data on the registered unemployment rate showing a decline to 8.1%, slightly more than estimated by the Ministry of Labour. The number of job offers is still rising very fast and in our view the unemployment rate could fall to 7% at the year-end.

The stat office released also data on the seasonal adjusted economic sentiment indexes for April. Further improvement was recorded in manufacturing and trade while indexes for the remaining sectors stabilized at high levels. Sentiment in manufacturing, trade and construction is improving since October 2016 and indexes reached their highest levels since 2008 confirming continuation of an economic revival and boding well for the coming months.

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## FX market

## Today's opening

EURPLN	4.2260	CZKPLN	0.1572
USDPLN	3.8763	HUFPLN*	1.3519
EURUSD	1.0902	RUBPLN	0.0682
CHFPLN	3.8994	NOKPLN	0.4517
GBPPLN	4.9922	DKKPLN	0.5679
USDCNY	6.8956	SEKPLN	0.4423

\*for 100HUF

## Last session in the FX market

26/04/2017

	min	max	open	close	fixing
EURPLN	4.220	4.231	4.228	4.229	4.2255
USDPLN	3.857	3.894	3.861	3.888	3.8757
EURUSD	1.086	1.095	1.095	1.088	-

## Interest rate market

26/04/2017

## T-bonds on the interbank market\*\*

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.97	0	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.89	0	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.45	-1	23.03.2017	DS0727	3.568

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	0	1.41	0	-0.22	0
2L	1.96	0	1.60	0	-0.13	-1
3L	2.12	0	1.76	1	-0.02	-1
4L	2.28	0	1.88	1	0.09	-1
5L	2.40	0	1.99	1	0.22	-2
8L	2.69	0	2.21	1	0.59	-2
10L	2.85	-1	2.31	2	0.81	-1

## WIBOR rates

Term	%	Change (bps)
O/N	1.53	1
T/N	1.55	3
SW	1.56	-2
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	1.78	0
9x12	1.83	1
3x9	1.81	0
6x12	1.84	0

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	3.09	-2
France	33	-1	0.53	-1
Hungary	116	1	2.90	-2
Spain	72	1	1.34	1
Italy	172	5	1.96	0
Portugal	232	2	3.21	0
Ireland	46	0	0.56	0
Germany	17	0	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

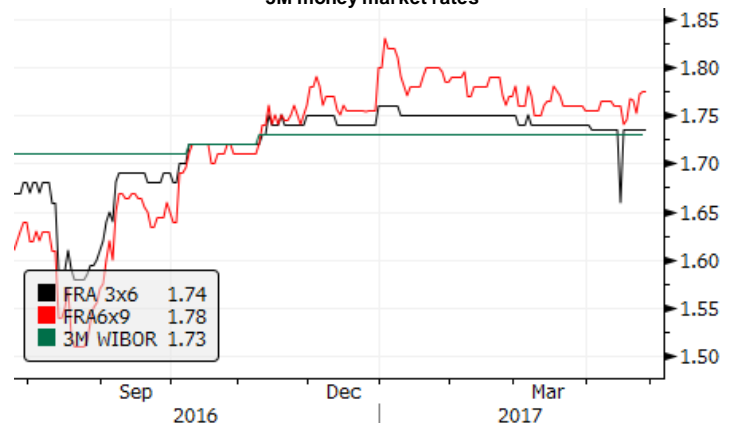
## Zloty exchange rate



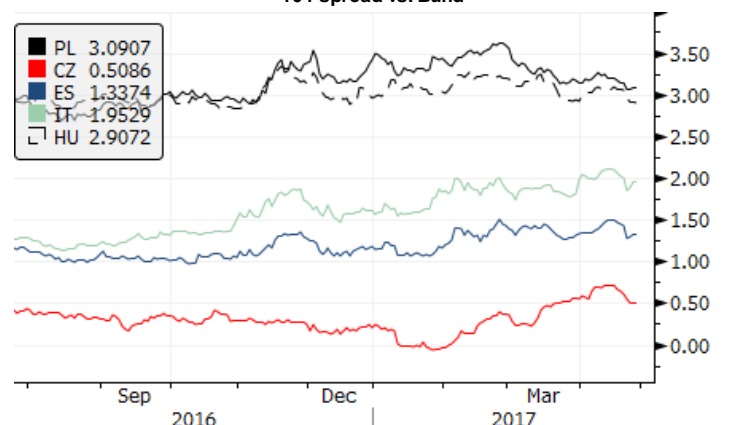
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
FRIDAY (21 April)								
9:30	DE	Flash PMI – services	Apr	pts	55.5	-	54.7	55.6
9:30	DE	Flash PMI – manufacturing	Apr	pts	58.0	-	58.2	58.3
10:00	EZ	Flash PMI – services	Apr	pts	56.0	-	56.2	56.0
10:00	EZ	Flash PMI – manufacturing	Apr	pts	56.0	-	56.8	56.2
14:00	PL	MPC minutes						
16:00	US	Home sales	Mar	m	5.6	-	5.71	5.47
MONDAY (24 April)								
10:00	DE	Ifo index	Apr	pts	112.3	-	112.9	112.3
TUESDAY (25 April)								
11:00	PL	Bond auction				-		
14:00	HU	Central bank decision		%	0.90	-		0.90
16:00	US	New home sales	Mar	% m/m	-0.3	-		6.1
16:00	US	Consumer confidence index	Apr	pts	124.0	-		125.6
WEDNESDAY (26 April)								
10:00	PL	Unemployment rate	Mar	%	8.2	8.2	8.1	8.5
THURSDAY (27 April)								
13:45	EZ	Central bank decision		%	?	-		?
14:30	US	Durable goods orders	Mar	% m/m	1.2	-		1.8
14:30	US	Initial jobless claims	week	k				244
16:00	US	Pending home sales	Mar	% m/m	-	-		5.5
FRIDAY (28 April)								
14:00	EZ	Flash CPI	Apr	% y/y	1.7	-		1.5
14:00	PL	Flash CPI	Apr	% y/y	-	2.0		2.0
14:30	US	Advance GDP	Q1	% y/y	1.2	-		2.1
16:00	US	Michigan index	Apr	pts	98.5	-		96.9

Source: BZ WBK, Reuters, Bloomberg

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

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