

EYEOPENER

5 May 2017

A big decline of oil price

- Final services PMI and polls from France support the market optimism
- Zloty and other CEE currencies a bit weaker, EURUSD up after the yesterday drop
- Polish IRS and yields moved higher, but less than the core markets
- US labor market data today

Positive sentiment was seen on the global market yesterday thanks to the data from Europe and the news from France. April final PMI indices for the services sector in Germany and the whole Eurozone were a bit better than the preliminary prints, which had a positive effect on stock indices and the euro, but weighed on the bonds on the core markets. An additional positive factor for the single currency and risk assets were the polls from France suggesting that the pro-EU candidate Emmanuel Macron is likely to win the Sunday presidential elections. Similar to the effect when the results of the first round were published, a growing chance that the candidate supporting the idea of the European Union had a positive effect on the debt of the peripheral countries of the Eurozone. The data from the US was also somewhat better than expected, putting more upside pressure on yields in Germany and USA. The sentiment on equity markets is notably worse today due to the sell-off on the oil market (Brent price went down yesterday by about 5% reaching the lowest level since November).

After the Wednesday drop of EURUSD below 1.09 (caused by the FOMC rhetoric, with an increased probability of a rate hike in June) the euro recovered on Thursday from these losses, thanks to the data from Europe and positive polls ahead of the second round of the presidential elections on Sunday. As a result EURUSD recorded a session high of 1.095 and moved further to 1.098 after the European close. The pair is still moving sideways, below the year-to-date peak set after the first round of the French elections, but this could change soon – we will get the US monthly labor market report today and there's the final round of French presidential elections on Sunday.

EURPLN rose during the yesterday's session to c4.225 despite the quite positive global market sentiment persisting on the

global market. The zloty was underperforming its CEE peers – EURHUF remained stable near 312 while the Czech koruna lost less (see details below). USDPLN stayed around 3.86 thanks to rising EURUSD. The Russian ruble was under pressure of falling oil prices and USDRUB rose above 58 reaching its highest since late decade of March. Today the CEE currencies may be sensitive to the US data. Despite rising chances for a June Fed rate hike, the zloty was gaining in the recent days and it looks that any bigger changes could take place on the USDPLN market, if the volatility of EURUSD rises.

As expected, the Czech central bank decided yesterday to keep monetary policy on hold, with main interest rate still at 0.05%. The bank has revised down its inflation forecast – to 2.1% in 2017 from 2.3% predicted in February and to 2.0% in 2018 from earlier 2.1%. In case of GDP forecasts, this year was revised up from 2.8% to 2.9%, and next year maintained at 2.8%. Jiri Rusnok, the central bank governor, said, referring to the EURCZK quick rebound to 27.0 after its earlier drop after the liquidation of currency floor, that the koruna's exchange rate is an important factor affecting the monetary policy outlook. He said also that if Czech currency gains only slightly, the monetary policy will have to be tightened through interest rate hikes. The central bank's rhetoric had negative impact on the koruna yesterday – EURCZK rebounded to 26.85 from slightly below 26.75.

On the domestic interest rate market the IRS rates and bond yields increased slightly on Thursday. Domestic bonds lost less considerably than the US or German debt, but were underperforming the euro zone peripheral markets. Today the US monthly labour market data will be in centre of attention. March reading has disappointed, but it was probably influenced by weather conditions and now investors hope to see a clear improvement. This week 10Y Bunds and Treasuries already weakened, so the potential for further upward move in yields at the end of the week in case of positive surprise from the data seems to be a bit limited.

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FX market

Today's opening

EURPLN	4.2281	CZKPLN	0.1575
USDPLN	3.8521	HUFPLN*	1.3535
EURUSD	1.0976	RUBPLN	0.0655
CHFPLN	3.9009	NOKPLN	0.4426
GBPPLN	4.9795	DKKPLN	0.5686
USDCNY	6.8958	SEKPLN	0.4355

*for 100HUF

Last session in the FX market

04/05/2017

	min	max	open	close	fixing
EURPLN	4.198	4.224	4.199	4.220	4.2177
USDPLN	3.840	3.869	3.846	3.846	3.863
EURUSD	1.088	1.098	1.092	1.097	-

Interest rate market

04/05/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	2.00	1	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.93	3	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.46	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	1	1.40	2	-0.23	2
2L	1.96	1	1.60	3	-0.13	3
3L	2.14	2	1.76	3	-0.02	3
4L	2.31	2	1.88	4	0.10	3
5L	2.45	2	1.98	5	0.23	3
8L	2.74	1	2.20	5	0.61	4
10L	2.89	1	2.31	5	0.84	5

WIBOR rates

Term	%	Change (bps)
O/N	1.63	1
T/N	1.63	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	1.82	0
3x9	1.80	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	32	-1	0.44	1
Hungary	116	1	2.82	2
Spain	66	-5	1.20	0
Italy	162	-6	1.86	0
Portugal	214	-4	3.02	1
Ireland	43	-2	0.47	4
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

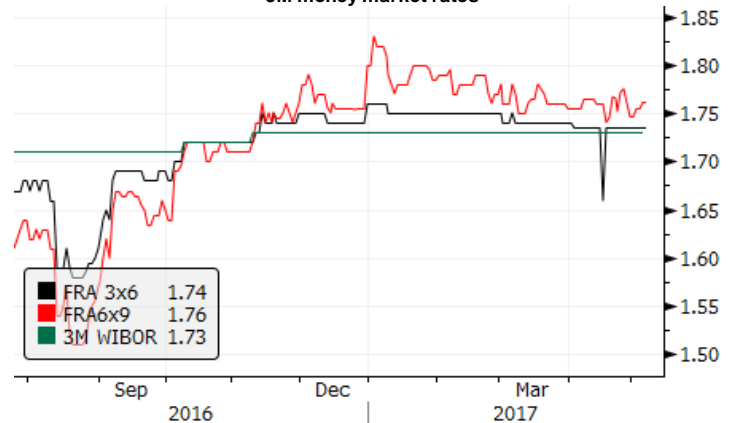
Zloty exchange rate



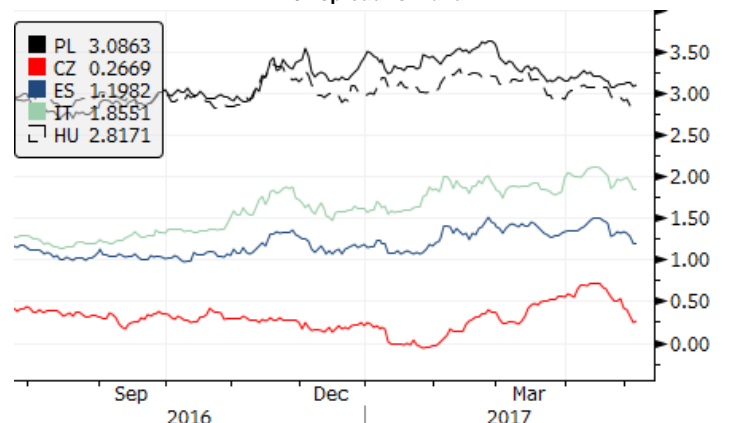
T-bonds yields



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 (28 April)								
11:00	EZ	Flash CPI	Apr	% y/y	1.8	-	1.9	1.5
14:00	PL	Flash CPI	Apr	% y/y	2.0	2.0	2.0	2.0
14:30	US	Advance GDP	Q1	% y/y	1.0	-	0.7	2.1
16:00	US	Michigan index	Apr	pts	98	-	97.0	96.9
MONDAY (1 May)								
	PL	Market holiday						
14:30	US	Personal income	Mar	% m/m	0.3	-	0.2	0.3
14:30	US	Consumer spending	Mar	% m/m	0.2	-	0.0	0.0
16:00	US	ISM – manufacturing	Apr	pts	56.5	-	54.8	57.2
TUESDAY (2 May)								
9:00	PL	PMI – manufacturing	Apr	pts	53.9	53.1	54.1	53.5
9:55	DE	PMI – manufacturing	Apr	pts	58.2	-	58.2	58.2
10:00	EZ	PMI – manufacturing	Apr	pts	56.8	-	56.7	56.8
WEDNESDAY (3 May)								
	PL	Market holiday						
11:00	EZ	Advance GDP	Q1	% y/y	1.7	-	1.7	1.7
14:15	US	ADP report	Apr	k	183	-	177	263
16:00	US	ISM – services	Apr	pts	56.0	-	57.5	55.2
20:00	US	FOMC decision		%	1.00	-	1.00	1.00
THURSDAY (4 May)								
9:55	DE	PMI – services	Apr	pts	56.2		55.4	56.2
10:00	EZ	PMI – services	Apr	pts	54.7	-	56.4	54.7
13:00	CZ	Central bank decision		%	0.05	-	0.05	0.05
14:30	US	Initial jobless claims	week	k	248	-	238	257
16:00	US	Industrial orders	Mar	% m/m	0.5	-	0.2	1.2
FRIDAY (5 May)								
14:30	US	Non-farm payrolls	Apr	k	190	-		98
14:30	US	Unemployment rate	Apr	% y/y	4.6	-		4.5

Source: BZ WBK, Reuters, Bloomberg

* in case of the revision, the data is updated

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