

EYEOPENER

8 May 2017

Macron won elections in France

- **Mixed data from the USA, positive information from France after Macron's victory**
- **Zloty slightly stronger at the end of the week, EURUSD slightly up**
- **Polish IRS and bond yields stable, small changes abroad**
- **Today German data**

On Friday sentiment on the global markets was moderately positive, but the scale of gains on the stock markets was lower than the day before. Monthly data from American job market set a mixed tone – in April the growth of non-farm payrolls was higher than expected and the unemployment rate unexpectedly went down, but March reading was significantly revised down. Market reaction was not strong – the euro gained slightly against the dollar and yields on core debt markets increased a bit. Apart from the ambiguous tone of American data, limited market reaction can be attributed to the anticipation of the French presidential elections. According to the flash data, Emmanuel Macron won the elections supported by 66.1% electors and the turnout reached c75%. Macron's victory was priced-in by the market, so reaction of asset prices was not major.

EURUSD slightly surpassed this year maximum at almost 1.10 reached Thursday night, but overall the market reaction to the US data was modest. The reaction of EURUSD to the results of the French election was not significant and it is still slightly below 1.10.

On Friday, EURPLN trimmed a half of Thursday's upward move and at the end of the day it was slightly below 4.22. USDPLN fell for a while to 3.83 thanks to the rise of EURUSD, but at the end of the day it rebounded above 3.84. For other currencies of the region, the forint gained slightly to the euro, the koruna remained stable, and the ruble also stabilized after three consecutive sessions of depreciation. The election results in

France were positive for the valuation of risky assets, including the zloty. EURPLN fell below 4.20 and the scale of appreciation of the Polish currency was sharper than in the other CEE currencies, contrary to our expectations that Macron's victory might not be a very positive signal for Polish assets due to its statements about possible support for sanctions against Poland.

The Friday session did not cause any important changes to the domestic IRS and bond yields. They ended the week at similar levels to the Thursday close. Core market yields moved slightly higher after the US data, but when it comes to euro zone periphery the bonds strengthened. So far the result of the French elections has not had any impact on the interest rate market.

The start of the week is likely to be influenced by the results of elections in France, while in the next days the market attention will turn to the new data releases. Investors will be analysing whether the hard data from Europe are equally positive as the confidence indicators, confirming that the world economic growth is speeding up. Moreover, there will be numerous speeches of the FOMC members during the week. After the last Fed meeting the market is pricing-in almost 100% probability of 25bp interest rate hike in June, so cautious comments may have higher market impact than those confirming the above-mentioned scenario. In Poland on Friday the final inflation data will be released, and Moody's may announce the results of rating review. We think the final CPI will not differ much from the flash reading and the release should have no major impact on the market. We assume that Moody's will keep Polish rating unchanged, although the change of outlook from negative to neutral cannot be ruled out. The latter, however, should have no major impact on the domestic market, because other rating agencies (Fitch and S&P's) already have neutral rating outlooks.

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FX market

Today's opening

EURPLN	4.1905	CZKPLN	0.1571
USDPLN	3.8133	HUFPLN*	1.3467
EURUSD	1.0989	RUBPLN	0.0657
CHFPLN	3.8538	NOKPLN	0.4433
GBPPLN	4.9490	DKKPLN	0.5635
USDCNY	6.9028	SEKPLN	0.4339

*for 100HUF

Last session in the FX market

05/05/2017

	min	max	open	close	fixing
EURPLN	4.204	4.236	4.220	4.211	4.2176
USDPLN	3.823	3.861	3.846	3.828	3.849
EURUSD	1.095	1.100	1.097	1.100	-

Interest rate market

05/05/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.99	-1	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.91	-2	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.46	0	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	1	-0.22	0
2L	1.96	0	1.61	1	-0.13	0
3L	2.13	-1	1.76	1	-0.01	1
4L	2.30	-1	1.88	0	0.11	2
5L	2.44	-1	1.98	0	0.25	2
8L	2.74	0	2.20	-1	0.63	2
10L	2.89	0	2.30	-1	0.85	2

WIBOR rates

Term	%	Change (bps)
O/N	1.63	0
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	0
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	3.05	1
France	31	0	0.43	1
Hungary	116	1	2.76	1
Spain	65	-1	1.16	3
Italy	157	-5	1.78	3
Portugal	209	-6	2.99	4
Ireland	40	-3	0.45	1
Germany	16	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

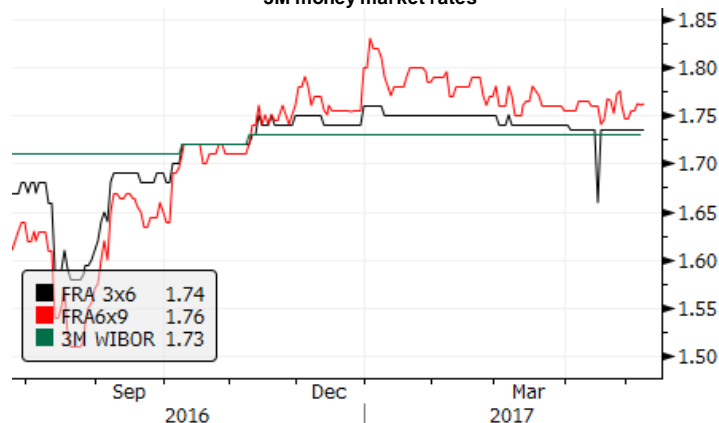
Zloty exchange rate



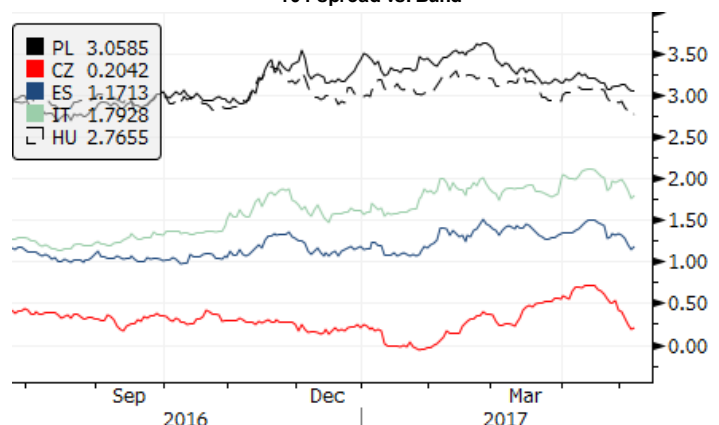
T-bonds yields



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 (5 May)								
14:30	US	Non-farm payrolls	Apr	k	190	-	211	79
14:30	US	Unemployment rate	Apr	% y/y	4.6	-	4.4	4.5
MONDAY (8 May)								
8:00	DE	Industrial orders	Mar	% m/m	0.8	-		3.4
TUESDAY (9 May)								
8:00	DE	Exports	Mar	% m/m	0.1	-		0.9
8:00	DE	Industrial output	Mar	% m/m	-0.7	-		2.2
WEDNESDAY (10 May)								
9:00	CZ	Industrial output	Mar	% y/y	9.5	-		2.7
9:00	CZ	CPI	Mar	% y/y	2.3	-		2.6
9:00	HU	CPI	Apr	% y/y	2.3	-		2.7
THURSDAY (11 May)								
14:30	US	Initial jobless claims	week	k	-	-		238
FRIDAY (12 May)								
	PL	Decyzja Moody's ws. ratingu						
8:00	DE	Flash GDP	Q1	% y/y	1.7	-		1.7
11:00	EZ	Industrial output	Mar	% y/y	2.4	-		1.2
14:00	PL	CPI	Apr	% y/y	2.0	2.0		2.0
14:00	PL	Money supply	Apr	% y/y	7.2	7.3		7.7
14:30	US	CPI	Apr	% m/m	0.2	-		-0.3
14:30	US	Retail sales	Apr	% m/m	0.6	-		-0.2
16:00	US	Flash Michigan	May	pts	97.0	-		97.0

Source: BZ WBK, Reuters, Bloomberg

* in case of the revision, the data is updated

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