

# EYEOPENER

9 May 2017

## Profit-taking after election in France

- Final results confirm victory of Macron in elections in France
- Profit-taking after French elections
- Zloty weakened to main currencies, EURUSD down
- Bond yields stable
- Today data from the Czech Republic and Hungary

Monday started with growths of stock prices on global markets, mainly because of the expected Emmanuel Macron's victory in French presidential elections. Despite the initial euphoria, main European stock markets finished the session with losses. French CAC40 was lower by 1.0% and German DAX by 0.25%. Core debt markets reported yield's declines, in contrast to the growths on the euro zone peripheral markets (Italian yields went up by 7bp and Spanish by 3.6bp). On Monday Polish bonds, as well as Czech and Hungarian ones strengthened. Yesterday oil crude prices fell temporarily below \$49 a barrel. The market speculates that OPEC might extend oil output limits until the end of the year. The final decision on this issue will be taken on 25th May. Morning data for German economy was slightly better than expected, similarly to yesterday readings on manufacturing orders.

Emmanuel Macron won the French presidential race with 66.1% support while Marine Le Pen was backed by 33.9% of voters. In his campaign, Macron called for more elastic labour market, lower deficit and state spending as well as regaining competitiveness by the French economy.

After reaching at the end of the past week its six-month high at 1.10, on Monday reaction of EURUSD to the outcome of the French elections was muted. The euro gained vs the dollar during the Asian session, but the European trading hours

brought a correction of this move. At the end of the day the exchange rate was near 1.094. Only marginal market reaction to the French elections might suggest that the market has already priced in the victory of the pro-EU candidate and this factor may no longer be important for the market, at least in the nearest future. Yesterday, volatility was rather low and this may persist until the end of the week when more US data will be released. Earlier, any bigger moves could be triggered by the comments of the FOMC members. Today in the morning EURUSD is just a fraction above 1.09.

In reaction to the French election EURPLN fell on Monday morning below 4.19. During the day, however, EURPLN was above the opening and closed at 4.22. USDPLN, as a result of EURUSD decline, was above 3.86 yesterday. The reaction of CEE currencies was similar. The forint closed the day near Friday's closing and EURCZK stabilized at 26.6. The Russian ruble remained stable and USDRUB ended the day slightly below 58.2. Today morning the zloty continued weakening started yesterday; EURPLN is above 4.23 and USDPLN is above 3.88.

The outcome of the French elections did not have a significant influence on the interest rate market yesterday. After moving above 3.45% last week and with limited investor activity on Monday Polish 10Y bond yield returned to the level seen at the end of April. The increase of global risk appetite led also to higher demand for other CE3 bonds. The IRS market remained stable which made the 10-year asset spread drop to 57 bps given the demand seen on the bond market. At the same time the spread of 10Y POLGBs vs. Bunds approached 300 bps yesterday and was the lowest since the US elections in November last year.

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## FX market

## Today's opening

EURPLN	4.2299	CZKPLN	0.1587
USDPLN	3.8775	HUFPLN*	1.3569
EURUSD	1.0909	RUBPLN	0.0663
CHFPLN	3.8769	NOKPLN	0.4478
GBPPLN	5.0181	DKKPLN	0.5685
USDCNY	6.9068	SEKPLN	0.4379

\*for 100HUF

## Last session in the FX market

08/05/2017

	min	max	open	close	fixing
EURPLN	4.188	4.234	4.209	4.232	4.2059
USDPLN	3.811	3.875	3.829	3.871	3.8391
EURUSD	1.092	1.102	1.100	1.093	-

## Interest rate market

08/05/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.97	-2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.88	-3	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	1.77	-1	1.42	1	-0.22	0
2L	1.94	-2	1.62	2	-0.12	1
3L	2.11	-2	1.78	2	-0.01	0
4L	2.29	-1	1.91	2	0.12	0
5L	2.43	-1	2.01	3	0.24	-1
8L	2.73	-1	2.23	3	0.62	0
10L	2.88	-1	2.33	3	0.85	-1

## 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	1.83	0

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	3.01	-3
France	31	0	0.43	0
Hungary	116	1	2.69	-2
Spain	67	2	1.17	1
Italy	159	1	1.83	2
Portugal	204	-5	2.99	2
Ireland	40	0	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

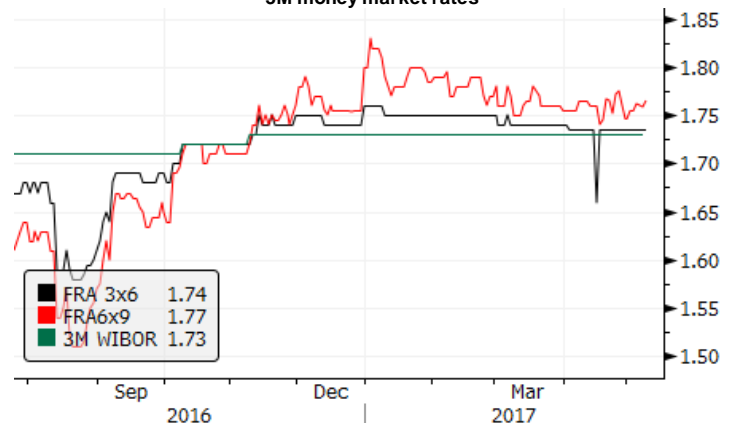
## Zloty exchange rate



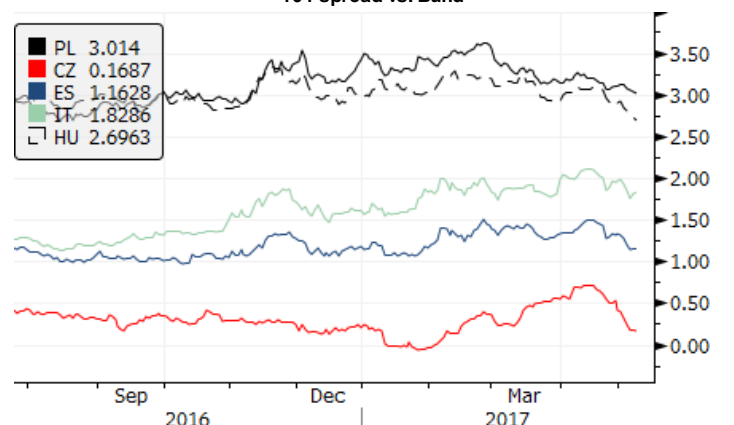
## T-bonds yields



## 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	-	1.0	3.4
TUESDAY (9 May)								
8:00	DE	Exports	Mar	% m/m	0.2	-	0.4	0.8
8:00	DE	Industrial output	Mar	% m/m	-0.7	-	-0.4	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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