

EYEOPENER

10 May 2017

Optimism on global stock markets

- **Higher appetite for risky assets**
- **Labour Ministry estimates unemployment rate at 7.7% in April**
- **The zloty is stable vs EUR, but weaker vs USD, EURUSD moved south**
- **Polish yields went up, following core markets**
- **Data from Czech Rep. and Hungary today, testimony of Mario Draghi**

The Monday deterioration of sentiment on stock exchanges was no longer seen yesterday. Tuesday brought a rebound that sent European and American indices higher, but at the same time the VIX index (also known as 'the index of fear') reached the lowest point since December 1993. The diminishing political risk in Europe and improving economic conditions in the global economy lead to higher demand for risky assets. The optimism on stock markets caused a rise of bond yields, with the Turkish bonds losing the most. Expectations for a rate hike in the US and the demand for risky assets undermined the Swiss franc. USDCHF returned above 1.0040 yesterday after a decline to 0.9864 at in the first days of May while EURCHF pushed above 1.095, the highest since the start of October 2016. The US equity indices performed well in general but showed some declines at the end of the day when North Korean officials confirmed that the country is not going to resign from further nuclear tests.

Today ECB's Draghi will speak in the Dutch parliament as the lawmakers called him to explain the current ECB monetary policy strategy.

Fed's governor in Kansas City, Esther George (nonvoter this year) said that the Fed should start to unwind its accommodative monetary policy, particularly ceasing its policy of reinvesting maturing principal payments. George is perceived as a rather "hawkish" FOMC member but she will have a voting right only in 2019.

The oil price rose amid speculation that OPEC could extend its production limit to 2018. Copper also gained yesterday recovering earlier losses triggered by data on weak imports of this commodity to China.

Yesterday EURUSD continued the gradual decline started on the previous day amid further profit taking after the French elections. The scale and pace of move was muted as there

were no additional factors positive for the dollar or supportive for the euro. After a slight rise, a correction occurred and EURUSD returned to the horizontal trend around 1.09 observed since the first round of the French elections. Volatility could rise somewhat later in the week when the important US data will be released.

After Monday's weakening and some profit taking, on Tuesday the zloty remained stable vs the euro. Higher risk appetite on the global market did not have much impact on EURPLN that ended the session just below 4.23. In our view, after the recent weakening it may be difficult for the zloty to resume the appreciation trend observed since the beginning of the year as the currency did not react to the improvement of the global moods. As the dollar gained vs the euro yesterday, the zloty lost vs the dollar and USDPLN ended the day near 3.88. Czech koruna stayed flat near 26.7 per euro and the Hungarian forint – after somewhat elevated intra-day volatility – ended the session around 311 per euro. The Russian ruble gained vs the dollar despite further decline of the Brent oil price (USDRUB ended the day close to 58.19).

Today morning we will get to know CPI inflation in the Czech Republic and Hungary. The market is expecting a slowdown in price growth in both countries mainly due to the fading base effect, which could potentially put pressure on the koruna and the forint.

Good mood on global stock exchanges has contributed to an yield increase in the debt market. Polish bonds weakened slightly and the belly reacted the most strongly. The 10-year spread to the German Bund has narrowed and is currently close to 300 bps. Reduction of political risk in Europe has made the German 10-year benchmark trade at a yield of over 0.43%, the highest since mid-March. The yields of Treasuries and the peripheral markets of the euro area also rose on the following day.

Yesterday the Ministry of Family, Labour and Social Policy reported that according to its estimates in April the unemployment rate fell to 7.7% from 8.1%, in line with our expectations. At a press conference, Deputy Minister of Labor Stanisław Szwed said that at the end of the year the unemployment rate in Poland should amount to c7%, which is close to our forecast of 6.9%.

ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40

email: ekonomia@bzwbk.pl

Web site: skarb.bzwbk.pl

Piotr Bielski +48 22 534 18 87

Marcin Luziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Izabela Sajdak, CFA +48 22 534 18 86

Marcin Sulewski +48 22 534 18 84

TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

FX market

Today's opening

EURPLN	4.2304	CZKPLN	0.1584
USDPLN	3.8826	HUFPLN*	1.3582
EURUSD	1.0896	RUBPLN	0.0666
CHFPLN	3.8612	NOKPLN	0.4472
GBPPLN	5.0382	DKKPLN	0.5686
USDCNY	6.9059	SEKPLN	0.4374

*for 100HUF

Last session in the FX market

09/05/2017

	min	max	open	close	fixing
EURPLN	4.217	4.241	4.232	4.232	4.2253
USDPLN	3.864	3.892	3.871	3.884	3.8741
EURUSD	1.087	1.094	1.093	1.090	-

Interest rate market

09/05/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	2.00	0	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.90	-1	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	1.77	1	1.41	0	-0.22	0
2L	1.96	2	1.62	0	-0.12	-1
3L	2.13	1	1.79	1	-0.01	-1
4L	2.30	2	1.92	1	0.11	-1
5L	2.45	1	2.02	1	0.24	0
8L	2.75	2	2.24	1	0.62	0
10L	2.90	2	2.34	1	0.85	0

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	1.77	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	3.03	-1
France	30	-1	0.43	-1
Hungary	116	1	2.70	0
Spain	65	-2	1.18	0
Italy	159	1	1.84	0
Portugal	203	0	3.00	0
Ireland	39	-1	0.43	-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

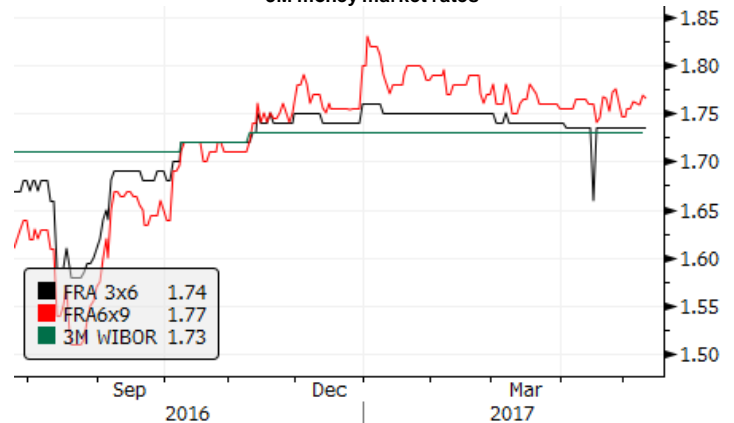
Zloty exchange rate



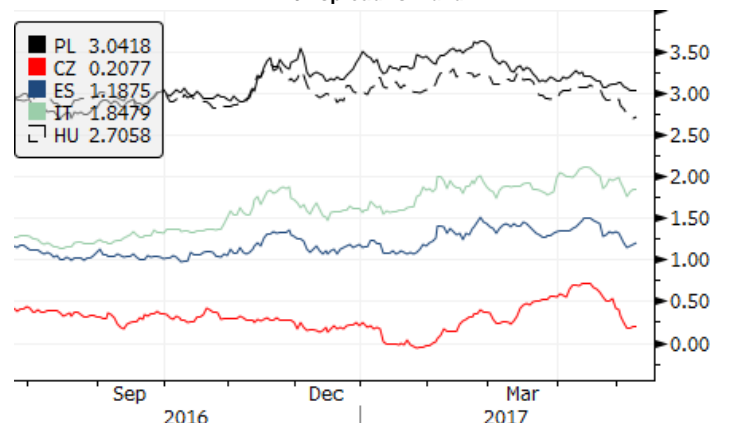
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

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	0.9
8:00	DE	Industrial output	Mar	% m/m	-0.7	-	-0.4	1.8
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	245	-		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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Additional information is available on request. Please contact Bank Zachodni WBK S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@bzwbk.pl, http://www.bzwbk.pl.