

EYEOPENER

2 June 2017

How strong is the US labour market?

- Strong day on stock markets, new records in the USA
- Disappointing PMI in Poland
- Zloty weaker to main currencies, EURUSD down
- Stabilisation on the interest rate market
- Today US labour market data

Global stock markets ended the Thursday session in black. New data on PMI from Europe supported the risk appetite. The optimistic ADP report also fueled the market optimism. Three main US stock indices set new record highs. Bond yields on the core markets rose. The oil prices were temporarily supported by information on the highest weekly decline in inventories this years and today Brent price slid below 50\$/bbl.

PMI index for Polish manufacturing in May fell to 52.7pts (the lowest level in 6 months) from 54.1pts due to a decline in subindices for output, new orders and employment. This move was in line with the development of Statistics Office's business climate indices for May reported earlier. PMI reading does not make it impossible to reach 4% economic growth this year, but suggests taking some caution in forecasting. Moreover, the PMI suggested a strong rise of price pressure on Polish producers. On the other hand, improvement in new export orders, shown in the PMI report, is good news.

The US dollar started to regain ground lost to the euro from the start of the session and the PMIs from the Euro zone confirming the flash estimates did not stop the EURUSD trend. The strong ADP report (showing an employment increase in May of 253k with 180k expected and the previous reading of 174k) plus the further increase of manufacturing ISM index gave the dollar more reasons to appreciate and to hit 1.12 on EURUSD. Today the rate will be under the influence of the US labour market data.

Yesterday was a quiet day on the FX market. The zloty was stable in the morning and EURPLN was sticking close to 4.18. The much-better-than expected data from the US labour market triggered PLN depreciation. At the end of the day the euro cost 4.19 and the US dollar 3.73 and the period ahead of the non-farm payrolls data from the USA is generally working against the zloty.

Other currencies in CEE region were stable. The Czech koruna strengthened slightly to the euro and EURCZK tested 26.3 for a third consecutive day in a row. Also the oscillations on the forint were small ahead of the ECB meeting next week. EURHUF was near the Wednesday closing all day long. The ruble strengthened, after an announcement from the Russian central bank that the current level of FX reserves was adequate. USDRUB approached 56.3, but the resumption of oil price falls has put pressure on it.

The interest rate market remained stable on Thursday. Yields in the core markets grew. 10Y Bund was quoted yesterday with a yield of 0.32%. Polish 10Y bond yielded 3.24% yesterday and the corresponding PL-DE spread stayed at Wednesday's level and remained below 293bps. IRS rates increased by 1bp at the belly and long end of the curve. Spread asset swap is maintained at 50 bps from the beginning of the week.

Yesterday the minutes from the MPC's meeting in May were published. The document did not bring much new to the prospects of monetary policy. Similar to last month, however, there were some hawkish threads: some members assessed that inflation could be higher than expected due to the possible strengthening of wage pressure under the influence of the weaker inflow of Ukrainian immigrants and lowering the retirement age. Some MPC members suggested that when new data indicate stronger inflation pressure, taking into consideration interest rate hikes may be justified. In general, however, most MPC members still believe that in the next few quarters the rates should be stable.

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FX market

Today's opening

EURPLN	4.1907	CZKPLN	0.1591
USDPLN	3.7358	HUFPLN*	1.3609
EURUSD	1.1217	RUBPLN	0.0659
CHFPLN	3.8472	NOKPLN	0.4416
GBPPLN	4.8047	DKKPLN	0.5634
USDCNY	6.8165	SEKPLN	0.4299

*for 100HUF

Last session in the FX market

01/06/2017

	min	max	open	close	fixing
EURPLN	4.178	4.204	4.183	4.199	4.1834
USDPLN	3.714	3.751	3.722	3.746	3.7262
EURUSD	1.120	1.126	1.124	1.121	-

Interest rate market

01/06/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.90	1	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.66	1	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.23	1	23.03.2017	DS0727	3.568

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.76	-1	1.38	2	-0.24	0
2L	1.89	0	1.53	2	-0.16	0
3L	2.01	0	1.66	2	-0.07	0
4L	2.15	1	1.76	2	0.05	1
5L	2.28	1	1.85	2	0.18	1
8L	2.58	2	2.06	2	0.56	1
10L	2.73	1	2.17	2	0.79	1

WIBOR rates

Term	%	Change (bps)
O/N	1.63	6
T/N	1.63	3
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	1.75	1
9x12	1.79	0
3x9	1.81	0
6x12	1.82	0

Measures of fiscal risk

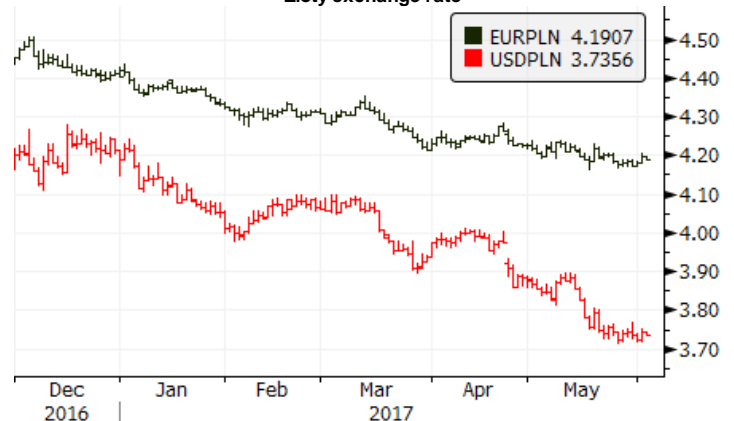
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.93	1
France	28	0	0.43	0
Hungary	116	1	2.77	0
Spain	75	0	1.23	-2
Italy	155	2	1.92	-2
Portugal	199	-1	2.66	-2
Ireland	40	1	0.48	2
Germany	15	0	-	-

* 10Y treasury bonds over 10Y Bunds

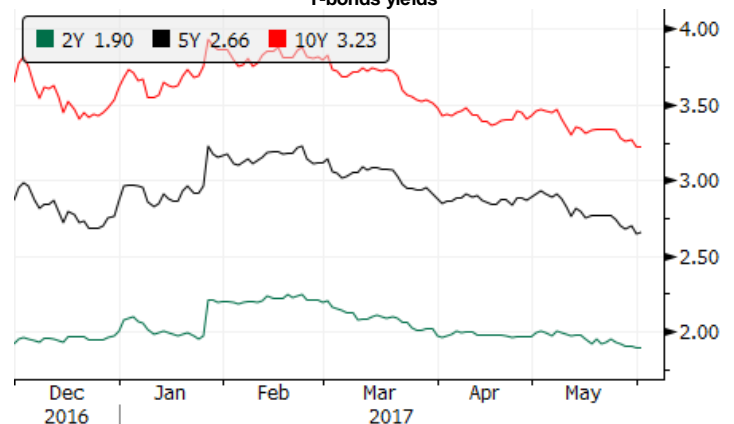
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

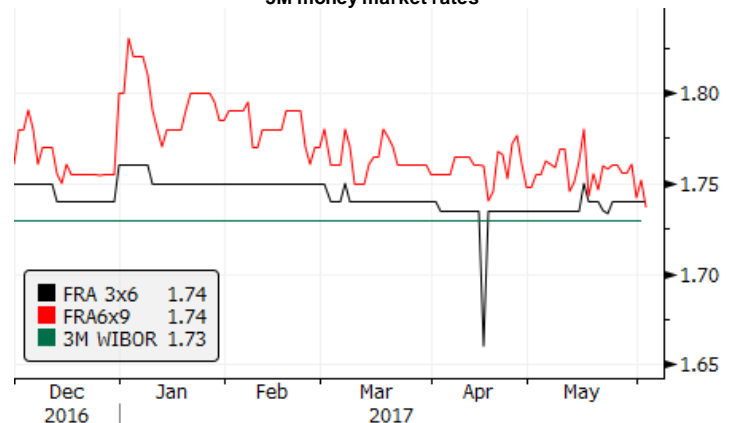
Zloty exchange rate



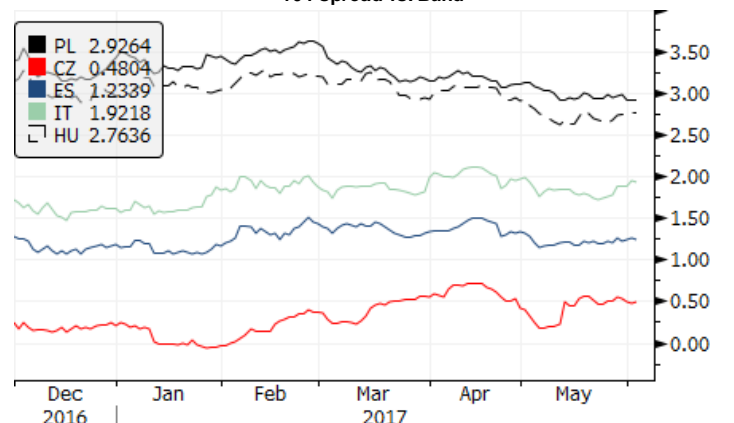
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	BZWBK			
THURSDAY (25 May)								
10:00	PL	Unemployment rate	Apr	% y/y	7.7	-	7.7	8.1
14:30	US	Initial jobless claims	week	k	238	-	234	232
FRIDAY (26 May)								
14:30	US	Preliminary GDP	Q1	% y/y	0.9	-	1.2	0.7
16:00	US	Michigan index	May	pts	97.5	-	97.1	97.7
MONDAY (29 May)								
No important data								
TUESDAY (30 May)								
14:30	US	Personal income	Apr	% m/m	0.4	-	0.4	0.2
14:30	US	Consumer spending	Apr	% m/m	0.4	-	0.4	0.3
16:00	US	Consumer confidence index	May	pts	120.0	-	117.9	120.3
WEDNESDAY (31 May)								
10:00	PL	GDP	Q1	% y/y	4.0	4.0	4.0	4.0
11:00	EZ	Flash CPI	May	% y/y	1.5	-	1.4	1.9
14:00	PL	Flash CPI	May	% y/y	2.0	1.9	1.9	2.0
16:00	US	Pending home sales	Apr	% m/m	0.4	-	-1.3	-0.9
20:00	US	Fed Beige Book						
THURSDAY (1 June)								
9:00	PL	PMI – manufacturing	May	pts	54.5	54.6	52.7	54.1
9:55	DE	PMI – manufacturing	May	pts	59.4	-	59.5	58.2
10:00	EZ	PMI – manufacturing	May	pts	57.0	-	57.0	56.7
14:00	PL	MPC minutes						
14:15	US	ADP report	May	k	180	-	253	177
16:00	US	ISM – manufacturing	May	pts	54.6	-	54.9	54.8
FRIDAY (2 June)								
9:00	CZ	Preliminary GDP	Q1	% y/y	2.9	-	2.9	2.9
14:30	US	Non-farm payrolls	May	k	175	-		211
14:30	US	Unemployment rate	May	% y/y	4.4	-		4.4

Source: BZ WBK. Reuters. Bloomberg

* in case of the revision. the data is updated

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