

# EYEOPENER

5 June 2017

## The week under influence of central banks and politics

- **European equity markets on the rise**
- **Disappointing data from the US labour market**
- **Zloty still strong versus main currencies, EURUSD higher**
- **Solid demand for Polish debt**
- **US data releases today in the afternoon**

On Friday the market sentiment was very good. European and Asian markets finished the session with clear gains, while bonds on the global markets also strengthened significantly. As a result of Donald Trump's announcements about the US withdrawal from the climate agreement oil crude noted considerable losses - the price fell by nearly 2% to below \$50 per barrel. Most of this move was corrected after the weekend due to the information on Saudi Arabia, Bahrain and Egypt having broken off their diplomatic relations with Qatar as a result of this country's "support for terrorism".

EUR/USD moved higher ahead of the weekend after weak payrolls numbers in the USA. In May the employment in the non-farm sector grew by only 138k vs market expectations of 182k and the April outcome has been revised down significantly. The unemployment rate dropped from 4.4% to 4.3% and the average wage was up 0.2% m/m. Despite a stable start on Friday, EUR/USD moved to 1.128, the highest level since August 2016. By the end of the day the exchange rate returned to 1.127 and this is where it was trading on Monday morning. EUR/USD may be affected today by the publication of services ISM index and new orders data for the US industry.

The key event for the market this week will be the ECB meeting on Thursday. In our view, investors' expectations that the ECB will change its rhetoric and signal tapering have diminished after dovish Mario Draghi's comments and inflation drop in the Euro area in May. The probability of hawkish tone is small, but not impossible. However, we think that the ECB will want to remain cautious for the time being.

Friday's session on the CEE currency market was influenced by US data. Disappointing release about non-farm payrolls

supported the zloty, which clearly strengthened against the dollar. USDPLN approached 3.7, the lowest level since October 2015. Rising risk appetite before the weekend also contributed to the fall in EURPLN to 4.18. On Friday the zloty was also strong against the British pound, and the GBPLN rate reached 4.77, the lowest level since October last year. Smaller movements were observed in the other currencies in the region. After 1Q17 GDP growth figure in the Czech Republic, which was in line with the preliminary reading (2.9% y/y), the Czech koruna slightly weakened against the euro. At the end of the day EURCZK returned to morning levels and reached 26.3. The forint saw little fluctuations on Friday. After a morning weakening against the euro, EURHUF returned near the Thursday's closing at 307.8. Despite heavily falling oil prices, USDRUB remained below 57 on Friday.

On Friday on the interest rate market yields fell noticeably on the core and peripheral market. The 10Y Bund yield fell below 0.27% and the respective Treasury neared 2.16%, its lowest since November. Polish debt gained as well and the bond curve continued to flatten as the 10Y yields fell the most – by 7bp to 3.15% while the 5Y yield eased 3bp nearing 2.59%. IRS also declined with the 10Y rate reaching 2.66%. The asset swap spread remained stable near 50bp for the whole week.

In the calendar for this week there is in fact only one domestic event, and it is not going to be very exciting – the Monetary Policy Council decision on Wednesday. Recent economic data were in line with the previous month's MPC argumentation: economic growth accelerated (up to 4% y/y in 1Q17), but inflation not only stopped rising, but slightly decreased (to 1.9% y/y in May). This is likely to confirm the MPC's rhetoric that there is no reason for concern and for considering changes in monetary policy in Poland. Situation abroad will be much more interesting, as there will be a number of data releases (orders in German and American industry, production, activity indicators in services, GDP in the euro area). The most interesting day will be Thursday, when the decision of the ECB, the parliamentary elections in the UK, and the hearing of former FBI head James Comey in the US Senate will take place.

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## FX market

## Today's opening

EURPLN	4.1827	CZKPLN	0.1588
USDPLN	3.7136	HUFPLN*	1.3602
EURUSD	1.1263	RUBPLN	0.0657
CHFPLN	3.8506	NOKPLN	0.4414
GBPPLN	4.7779	DKKPLN	0.5623
USDCNY	6.8046	SEKPLN	0.4298

\*for 100HUF

## Last session in the FX market

02/06/2017

	min	max	open	close	fixing
EURPLN	4.180	4.199	4.199	4.184	4.1882
USDPLN	3.704	3.746	3.746	3.709	3.7323
EURUSD	1.121	1.129	1.121	1.128	-

## Interest rate market

02/06/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.88	-2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.61	-5	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.16	-7	23.03.2017	DS0727	3.568

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.76	0	1.37	-1	-0.24	0
2L	1.87	-1	1.51	-2	-0.16	0
3L	1.98	-2	1.62	-4	-0.07	0
4L	2.10	-4	1.71	-5	0.04	-1
5L	2.23	-5	1.79	-5	0.16	-2
8L	2.52	-6	2.00	-6	0.54	-1
10L	2.67	-6	2.10	-7	0.78	-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	1
3x6	1.74	0
6x9	1.75	0
9x12	1.78	-1
3x9	1.81	0
6x12	1.81	-1

## Measures of fiscal risk

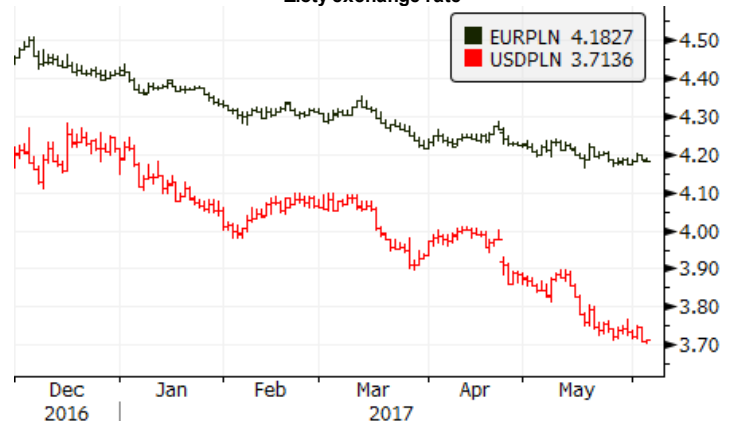
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.88	-8
France	28	0	0.43	-1
Hungary	116	1	2.75	0
Spain	78	3	1.28	-1
Italy	158	3	1.97	-1
Portugal	199	-1	2.74	-1
Ireland	40	1	0.47	-1
Germany	15	0	-	-

\* 10Y treasury bonds over 10Y Bunds

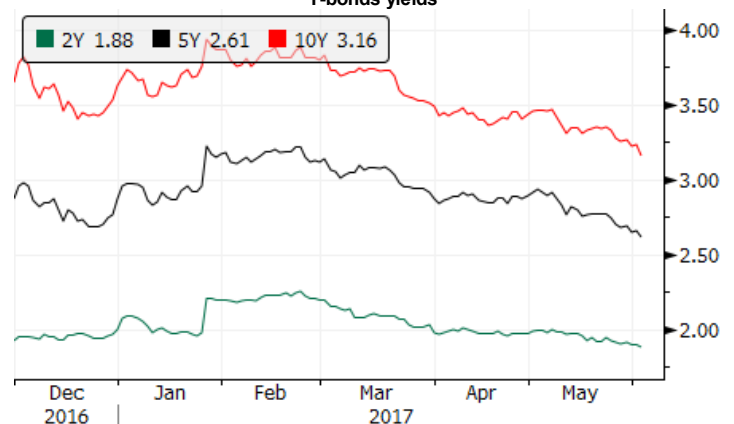
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

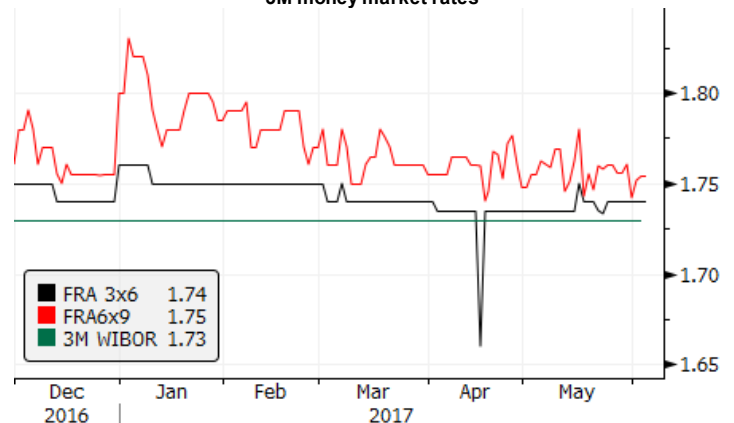
## Zloty exchange rate



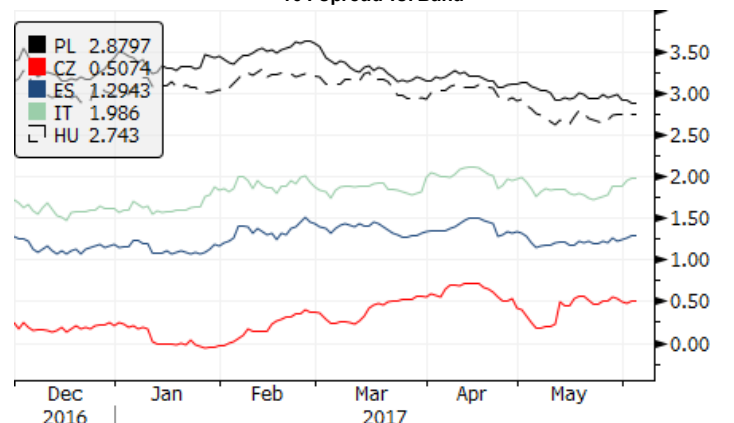
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
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
MONDAY (5 June)								
16:00	US	ISM – services	May	pts	57.0	-		57.5
16:00	US	Industrial orders	Apr	% m/m	-0.2	-		0.2
16:00	US	Durable goods orders	Apr	% m/m		-		-0.7
TUESDAY (6 June)								
9:55	DE	PMI – services	May	pts		-		55.2
10:00	EZ	PMI – services	May	pts		-		56.2
WEDNESDAY (7 June)								
	PL	MPC decision			1.5	1.5		1.5
8:00	DE	Industrial orders	Apr	% m/m		-		1.0
9:00	CZ	Industrial output	Apr	% y/y	-1.0	-		10.9
11:00	EZ	GDP	Q1	% y/y		-		1.7
THURSDAY (8 June)								
8:00	DE	Industrial output	Apr	% m/m		-		-0.4
9:00	HU	CPI	May	% y/y	2.2	-		2.2
11:30	PL	Bond auction						
13:45	EZ	Central bank decision			0.0	0.0		0.0
FRIDAY (9 June)								
9:00	DE	Exports	Apr	% m/m		-		0.4
9:00	CZ	CPI	May	% y/y	2.1	-		2.0

Source: BZ WBK, Reuters, Bloomberg

\* in case of the revision, the data is updated

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