

EYEOPENER

22 June 2017

Weak market sentiment

- **Bearish market sentiments**
- **Zloty stable to main currencies, EURUSD close to 1.11**
- **Bond yields up globally**
- **Today US labour market data**
- **Today switching auction and minutes in Poland**

Wednesday's mood on the global markets was bearish. Most stock exchanges ended the day in red. Consecutive day the price of oil was under pressure, and so were currencies of countries rich in this commodity. On Wednesday, oil prices remained at their lowest level since November 2016 due to the oversupply. Investors also sold off bonds yesterday, especially those with longer maturities.

Robert Kaplan's hawkish speech on Tuesday evening, who said that gradual tightening of monetary policy could be a support for the long-term growth of the US economy, weakened the euro. The release of better-than-expected home sales data in the US supported the dollar only temporarily and EURUSD returned to the previous level of 1.113. As a result, EURUSD did not see a clear direction change, and further fluctuations in the rate could be attributed to subsequent FOMC members speeches and today's US labour market data.

After its strong depreciation versus main currencies at the beginning of the week, on Wednesday the zloty remained relatively stable. In the morning EURPLN approached 4.25, but did not manage to break this level and at the end of the day came back to c4.24. Investors were also testing 3.82 on USDPLN, but in the end the currency managed to trim half of its Tuesday losses and rebounded to c3.80 at the end of the day. The zloty is currently under pressure because of worse sentiment on the global markets.

On Wednesday the Czech koruna slightly gained versus the euro, but EURCZK did not manage to trim Tuesday's growth and finished Wednesday's session at 26.27. The governor of Czech central bank said yesterday that the appreciation of Czech currency might slow down the process of hiking rates in this country. Governor Jiri Rusnok stated in the interview for CTK (Czech information agency) that next rate hike might be introduced in 3Q17, but monetary policy tightening will be

conducted step by step. He added that the appreciating koruna could be a reason for delaying rate hikes.

Yesterday the forint, continuing its Tuesday's move, slightly lost versus the euro. Dovish rhetoric of the Hungarian central bank weighs on its currency and EURHUF broke 309 and is on its record high since May 2017. The considerable decline of oil crude prices clearly weighs on the rouble and yesterday USDRUB approached 60 – the highest level since January.

Negative sentiment also led to an increase of bond yields. Both Bunds and Treasuries lost yesterday about 1bp. Since the start of the week the US-DE spread is close to 190bp. Polish bonds weakened across the curve on Wednesday, by c2bp. The IRS curve flattened a bit. The rates on the long end remained stable vs the Tuesday close, while the short end went up by c1bp and the belly by 2bp. The asset swap spread increased to 55bp, the highest level since the second round of the French presidential election.

According to Dziennik Gazeta Prawna daily, the bill on return of FX housing loan spreads is stuck, because there is a need for more analysis. Due to this a different solution may be drafted, covering only persons in a difficult situation. This new solution might assume a utilisation of the resources of Fundusz Wsparcia Kredytobiorców (fund to support mortgage payments, created from banking sector contributions) to convert loans to PLN at preferential exchange rate or setting up a new fund with this objective.

Today there is a switch auction. The Ministry of Finance will buy back OK0717 / DS1017 / WZ0118 and offer OK0419 / PS0422 / WZ1122 / WZ0126 / DS0727. Minutes from the June MPC meeting will be released in the afternoon.

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	4.2539	CZKPLN	0.1617
USDPLN	3.8066	HUFPLN*	1.3756
EURUSD	1.1175	RUBPLN	0.0633
CHFPLN	3.9185	NOKPLN	0.4472
GBPPLN	4.8282	DKKPLN	0.5718
USDCNY	6.8322	SEKPLN	0.4357

*for 100HUF

Last session in the FX market

21/06/2017

	min	max	open	close	fixing
EURPLN	4.233	4.258	4.247	4.256	4.2442
USDPLN	3.797	3.822	3.818	3.818	3.809
EURUSD	1.112	1.116	1.113	1.115	-

Interest rate market

21/06/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.94	2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.61	2	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.19	3	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	1.41	0	-0.25	0
2L	1.89	1	1.55	-1	-0.19	1
3L	1.99	2	1.65	-1	-0.09	1
4L	2.11	1	1.74	-1	0.02	1
5L	2.23	2	1.82	-1	0.14	0
8L	2.50	2	2.02	-1	0.50	0
10L	2.65	2	2.12	-1	0.72	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.58	0
T/N	1.57	-1
SW	1.59	0
2W	1.62	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	0
9x12	1.78	0
3x9	1.82	0
6x12	1.81	0

Measures of fiscal risk

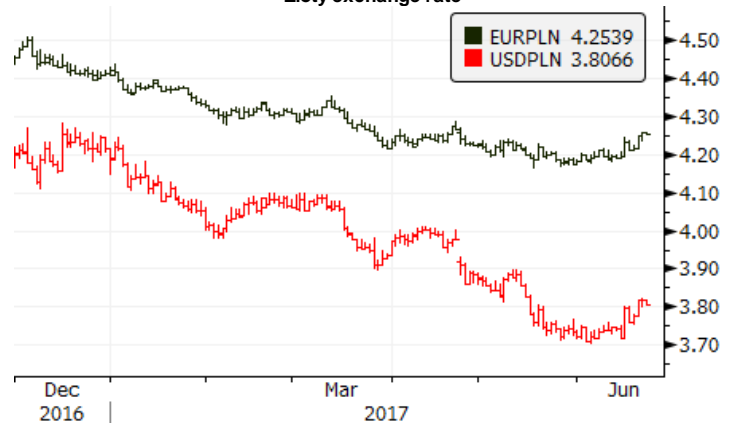
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.93	3
France	24	0	0.34	0
Hungary	116	1	2.68	0
Spain	66	0	1.10	0
Italy	134	1	1.64	0
Portugal	188	3	2.63	0
Ireland	40	1	0.38	0
Germany	15	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

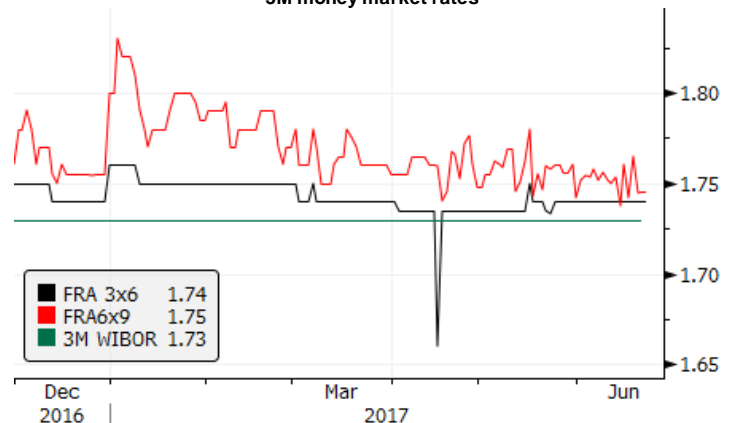
Zloty exchange rate



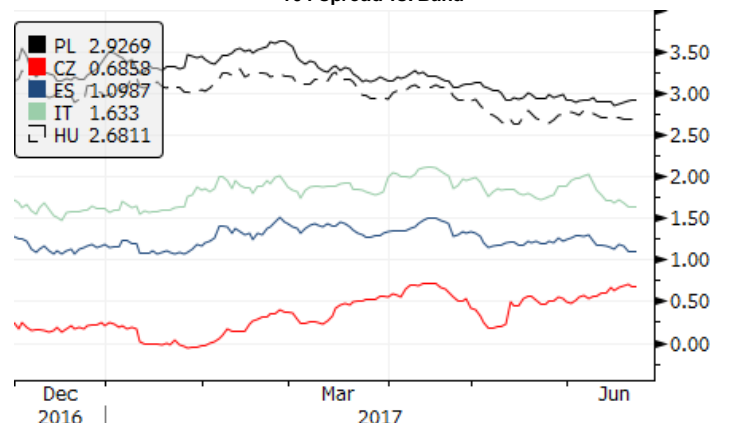
T-bonds yields



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 16 June)								
11:00	EZ	CPI	May	% y/y	1.4	-	1.4	1.9
14:30	US	House starts	May	k	1225	-	1092	1172
14:30	US	Building permits	May	k	1250	-	1168	1229
16:00	US	Flash Michigan	Jun	pts	97.0	-	94.5	97.1
MONDAY (19 June)								
14:00	PL	Wages in corporate sector	May	% y/y	4.5	5.3	5.4	4.1
14:00	PL	Employment in corporate sector	May	% y/y	4.6	4.6	4.5	4.6
TUESDAY (20 June)								
14:00	HU	Central bank decision		%	0.90	-	0,90	0.90
14:00	PL	Industrial output	May	% y/y	7.0	9.6	9.1	-0.6
14:00	PL	Construction and assembly output	May	% y/y	13.0	16.2	8.4	4.3
14:00	PL	PPI	May	% y/y	2.9	2.8	2.5	4.3
14:00	PL	Real retail sales	May	% y/y	7.8	7.1	7.4	6.7
WEDNESDAY (21 June)								
16:00	US	Home sales	May	% m/m	-0.5	-	1.1	-2.3
THURSDAY (22 June)								
14:00	PL	MPC Minutes						
14:30	US	Initial jobless claims	week	k	-	-		237
FRIDAY (23 June)								
9:30	DE	Flash PMI – manufacturing	Jun	pts	59.0	-		59.5
		Flash PMI – services	Jun	pts	55.4	-		55.4
10:00	EZ	Flash PMI – manufacturing	Jun	pts	56.7	-		57.0
		Flash PMI – services	Jun	pts	56.2	-		56.3
16:00	US	New home sales	May	% m/m	5.5	-		-11.4

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.