

EYEOPENER

23 June 2017

Consumer confidence at all-time high

- **Falling oil prices undermine stock markets**
- **Zloty gained to main currencies, EURUSD above 1.11**
- **Global bond yields down**
- **Successful auction of Polish debt**
- **Today PMI indices and US housing market data**

Thursday was another day of pessimism on the global markets. Main stock exchanges finished the day in red. Prices of oil remain the lowest this year, close to the levels from November. Higher risk aversion led to higher demand for bonds on the core markets and for gold, which again went above US\$1250/oz.

Yesterday morning EURUSD started to trend lower and kept doing so for the whole session. The US data on jobless claims were in line with expectations and did not alter the situation on the exchange rate. At the end of the day the dollar was slightly stronger vs the euro, around 1.115. The FX pair remains sensitive to FOMC members' speeches (three more are planned for today).

The sell-off of the Polish currency, which had been seen since the start of the week was halted on Thursday. The zloty showed some gains against the euro and the dollar. While in the morning EURPLN went above 4.26, another positive monthly data on budget performance and a successful switch auction helped the zloty to turn the tide. By the end of the day EURPLN was trading below 4.24 and USDPLN returned below 3.80. Other CE3 currencies were more less stable. EURCZK had a similar closing level as on Wednesday, and so did the forint. EURHUF was at 309 yesterday. Another day of declining oil prices kept the ruble under selling pressure. USDRUB broke above 60 in the morning, but managed to get below it before the end of the day. The ruble is currently the weakest vs the dollar since January.

The drop in risk appetite has contributed to the rise in demand for bonds in core markets. Bund's yield dropped by 2bps to 0.24%, while the Treasury yielded 2.14%. During the week bonds of both countries strengthened by 2.3% and 3.7%, respectively. The Polish interest rate market was fairly stable, yields on 10Y bonds increased by 1bp only.

Yesterday the Ministry of Finance announced that budget deficit after May amounted to PLN0.2bn (0.3% of the plan). Budget revenues for the first five months amounted to PLN143.3bn (44% of the plan), and expenditures amounted to PLN143.5bn (37.3% of the plan). In May, VAT revenue

increased by 15% y/y, CIT by 8.7% and PIT by 6.6%. Good budget implementation in May supports our forecast of a lower budget deficit this year (may be PLN20bn below the plan at PLN59.3bn).

On Thursday, the Ministry of Finance bought back bonds worth PLN4.03bn and sold bonds for PLN4.16bn with demand at PLN5.16bn. Investors mostly purchased PS0422 (PLN2.29bn) and OK0419 (PLN1.13bn). The supply of 10Y bonds (WZ0126 and DS0727) amounted to 7.2%. After Thursday's tender the Ministry of Finance announced that the borrowing needs this year have already been covered in 70%. Good budget implementation means lowering borrowing needs this year. According to the Financial Times, in 3Q the supply at auctions will be limited to PLN10bn on two regular auctions and two switch auctions. According to deputy finance minister Piotr Nowak, supply in Q4 will depend on budget implementation and next year's borrowing needs.

Yesterday minutes from June MPC meeting were published, which did not bring much new to the prospects of monetary policy. According to the Council, CPI inflation in the coming months should remain moderate and interest rates should remain at the current level. According to some MPC members, if there were data showing an increase in inflationary pressure, they would be an argument to consider rate hikes. Some members of the Council argued that the stabilization of interest rates would foster the expected revival of investment.

Yesterday the Statistics Office published the consumer confidence survey and its results showed further improvement of sentiment in household purchasing, future incomes and unemployment. The assessments of the present and future economic situation of the country and the financial situation of the household have improved most. Overall, consumer sentiment indicators rose in June, beating another record. In our view, good consumer sentiment will support a strong increase in private consumption this year.

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FX market

Today's opening

EURPLN	4.2368	CZKPLN	0.1612
USDPLN	3.7924	HUFPLN*	1.3699
EURUSD	1.1172	RUBPLN	0.0635
CHFPLN	3.9080	NOKPLN	0.4474
GBPPLN	4.8217	DKKPLN	0.5697
USDCNY	6.8388	SEKPLN	0.4340

*for 100HUF

Last session in the FX market

22/06/2017

	min	max	open	close	fixing
EURPLN	4.229	4.262	4.256	4.233	4.2442
USDPLN	3.794	3.819	3.818	3.795	3.8002
EURUSD	1.115	1.118	1.115	1.116	-

Interest rate market

22/06/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.92	-2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.61	0	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.20	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	0	1.42	0	-0.25	0
2L	1.89	0	1.54	-1	-0.19	0
3L	1.99	-1	1.64	-1	-0.10	-1
4L	2.11	0	1.73	-1	0.01	-1
5L	2.23	0	1.81	-1	0.13	0
8L	2.49	-1	2.01	-1	0.49	-1
10L	2.64	-2	2.11	-1	0.71	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.56	-2
T/N	1.57	0
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	1
9x12	1.78	0
3x9	1.82	0
6x12	1.81	0

Measures of fiscal risk

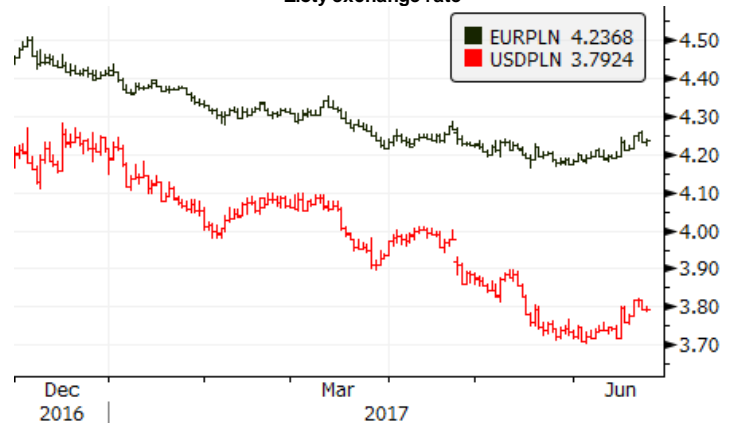
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.95	1
France	24	0	0.35	0
Hungary	116	1	2.67	-1
Spain	66	0	1.12	0
Italy	132	-2	1.65	0
Portugal	184	-5	2.67	0
Ireland	40	1	0.38	0
Germany	15	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

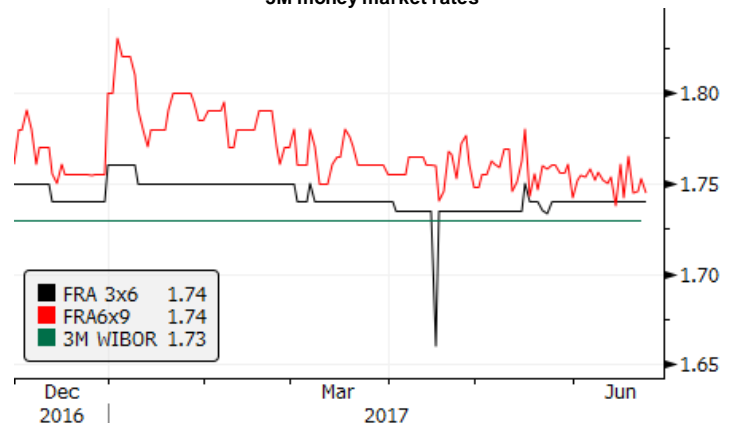
Zloty exchange rate



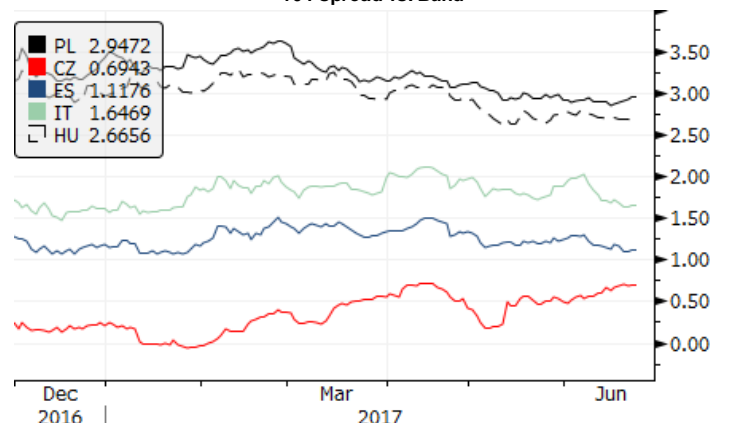
T-bonds yields



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	-	-	241	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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