

# EYEOPENER

27 June 2017

## Zloty gaining strength again

- **Stock markets up at the start of the week**
- **Zloty stronger versus main currencies, EURUSD near 1.12**
- **Yields of Polish bonds fell significantly**
- **Unemployment rate fell, in line with expectations**
- **US consumer confidence due today**

After the weekend, moods on the global stock markets improved and main indices ended up in black. Oil price stayed near Friday's close, and gold lost more than 1%. Bond yields on the core markets fell.

The registered unemployment rate in Poland fell in May to 7.4%, in line with our forecasts (and below the Labour Ministry's estimate of 7.5%). The number of the unemployed fell by 50.6k on a monthly basis and it was the weakest May result since 2009. The next few months will show if slowdown in the rate of decline of unemployment is persistent.

Business climate indicators published by the Statistical Office showed slight improvement in sentiment in June in manufacturing and very clear rebound in construction (where the seasonally adjusted index rose above zero for the first time since 2008). Indices for retail trade and transport slightly worsened, but remained at very high levels.

The dollar was losing yesterday against the euro since the morning release of better-than-expected reading of the Ifo index from Germany, which turned out to be the highest in history (115.1pts). After this data EURUSD approached 1.12. Ahead of data on US durable goods orders, the euro gave some of its morning gains. Disappointing data on US orders caused a return of EURUSD above 1.12, which has remained until the end of the day. Today it may be influenced by US data on the consumer confidence.

The zloty gained on Monday to main currencies on the wave of optimistic moods. Morning data on registered unemployment rate in Poland triggered a downward move of EURPLN, which began the day slightly above 4.22. Rising risk appetite fueled an inflow of capital on the Polish stock market and a strengthening of the Polish currency. At the end of the day,

EURPLN tested 4.203, where it ended the Monday session. USDPLN was following EURUSD and the zloty gained versus the dollar considerably. USDPLN returned to 3.75 seen before the Fed hike in mid-June. The zloty gained also to the pound and the Swiss franc.

Yesterday the CE3 currencies were less volatile than the zloty. Data on consumer and business confidence in Czechia were mixed. Even though entrepreneurs are still optimistic (June reading was above May), consumer confidence was at the lowest level this year. These numbers did not affect EURCZK and at the end of the day the rate was near Friday close. The forint also did not react to confidence data. Hungarian firms are most optimistic in the history (9.5 versus 7.5 one month before). Rising demand for risky assets supported the ruble with USDRUB falling below 59.

Bond prices on global markets were rising yesterday. Friday's rating of Greece's rating by Moody's contributed to higher demand for bonds from the euro zone peripheral markets. Polish 10Y yields fell yesterday to nearly 3.18%. Bonds at the short end of the curve gained as well. IRS rates fell across the curve by 1bp and the asset swap spread narrowed to 57bp, after last week's widening.

Deputy finance minister Piotr Nowak said yesterday that this year's fiscal deficit will be most likely much lower than 2.9% of GDP planned in the budget law. In his view, in 2018 the deficit will be close to the level assumed in the Multi-Year Financial Plan (i.e. 2.5% of GDP). In today's Dziennik Gazeta Prawda daily Nowak added that in the final quarter of this year the supply of bonds will be higher than PLN10bn planned for 3Q17, as the ministry will want to pre-finance 20-30% of next year's borrowing needs. The deputy minister said that several switching auctions will be held in 4Q17, in order to reduce the burden of debt maturing in 2018. He also did not rule out bond issuances in foreign currencies in 4Q17 (in USD or EUR, yuan and/or Australian dollar, depending on market conditions).

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**FX market**

**Today's opening**

EURPLN	4.2073	CZKPLN	0.1600
USDPLN	3.7583	HUFPLN*	1.3611
EURUSD	1.1195	RUBPLN	0.0640
CHFPLN	3.8640	NOKPLN	0.4435
GBPPLN	4.7842	DKKPLN	0.5658
USDCNY	6.8271	SEKPLN	0.4312

\*for 100HUF

**Last session in the FX market 26/06/2017**

	min	max	open	close	fixing
EURPLN	4.205	4.235	4.229	4.208	4.2117
USDPLN	3.750	3.782	3.769	3.761	3.7653
EURUSD	1.117	1.122	1.120	1.119	-

**Interest rate market 26/06/2017****T-bonds on the interbank market\*\***

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.90	-2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.59	-3	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.19	-4	23.03.2017	DS0727	3.568

**IRS on the interbank market\*\***

Term	PL %	Change (bps)	US %	Change (bps)	EZ %	Change (bps)
1L	1.76	-1	1.42	0	-0.25	0
2L	1.89	-1	1.55	0	-0.18	0
3L	1.98	-1	1.65	0	-0.09	0
4L	2.10	-1	1.74	0	0.03	1
5L	2.22	-2	1.82	0	0.14	1
8L	2.48	-1	2.01	-1	0.50	0
10L	2.64	-2	2.11	-1	0.72	0

**WIBOR rates**

Term	%	Change (bps)
O/N	1.50	-7
T/N	1.50	-7
SW	1.57	-2
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	1.74	-1
9x12	1.78	0
3x9	1.82	0
6x12	1.81	0

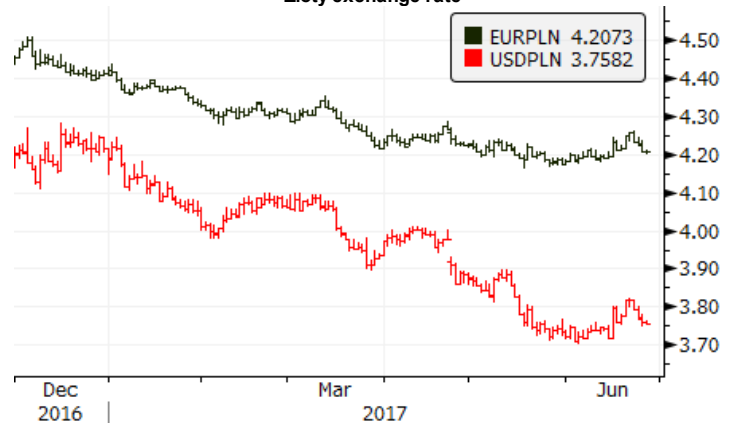
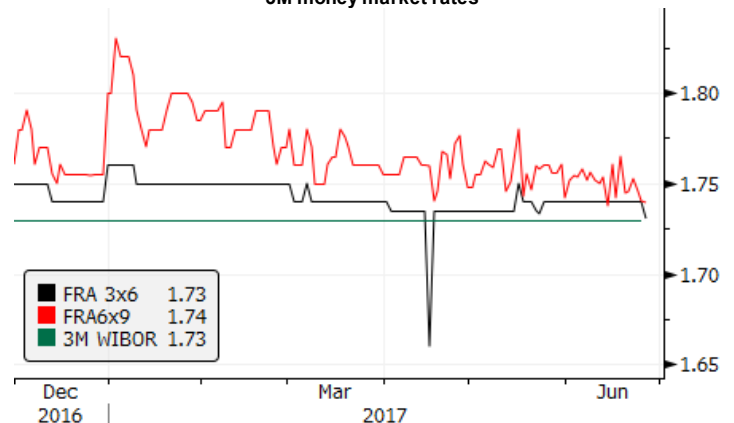
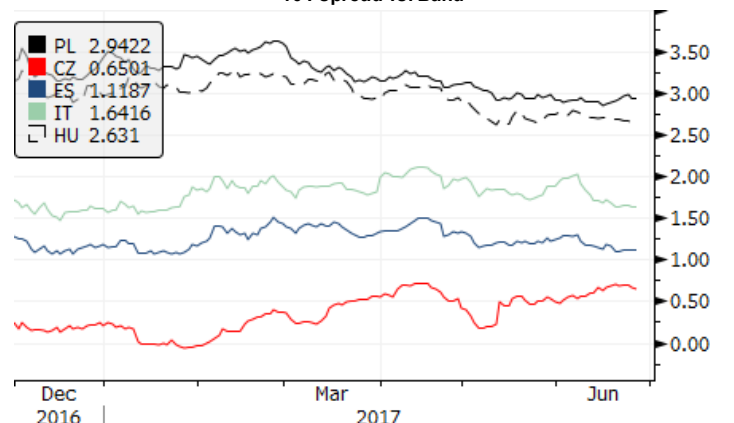
**Measures of fiscal risk**

Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland	71	-1	2.95	-4
France	23	-1	0.36	1
Hungary	116	1	2.63	0
Spain	64	-1	1.13	1
Italy	131	-1	1.66	1
Portugal	187	3	2.67	0
Ireland	40	1	0.39	1
Germany	15	-1	-	-

\* 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 (23 June)									
9:30	DE	Flash PMI – manufacturing	Jun	pts	59.0	-	59.3	59.5	
		Flash PMI – services	Jun	pts	55.4	-	53.7	55.4	
10:00	EZ	Flash PMI – manufacturing	Jun	pts	56.7	-	57.3	57.0	
		Flash PMI – services	Jun	pts	56.2	-	54.7	56.3	
16:00	US	New home sales	May	% m/m	5.5	-	2.9	-11.4	
MONDAY (26 June)									
10:00	PL	Unemployment rate	May	% y/y	7.4	7.4	7.4	7.7	
10:00	DE	Ifo index	Jun	pts		-	115.1	114.6	
14:30	US	Durable goods orders	May	% m/m	-0.9	-	-1.1	-0.8	
TUESDAY (27 June)									
16:00	US	Consumer confidence index	Jun	pts	115.4	-		117.9	
WEDNESDAY (28 June)									
16:00	US	Pending home sales	May	% m/m		-		-1.3	
THURSDAY (29 June)									
14:30	US	Third GDP estimate	Q1	% y/y	1.2	-		1.2	
FRIDAY (30 June)									
9:00	CZ	GDP	Q1	% y/y	2.9	-		2.9	
9:00	HU	PPI	May	% y/y		-		4.4	
11:00	EZ	Flash CPI	Jun	% y/y	1.3	-		1.4	
14:00	PL	Flash CPI	Jun	% y/y	1.9	1.7		1.9	
14:30	US	Personal income	May	% m/m	0.3	-		0.4	
14:30	US	Consumer spending	May	% m/m	0.1	-		0.4	
16:00	US	Michigan index	Jun	pts	95.0	-		94.5	

Source: BZ WBK, Reuters, Bloomberg

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

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