

# EYEOPENER

14 July 2017

## Today Polish current account data

- **Markets awaiting new data**
- **Media: ECB likely to announce shrinking asset purchases in September**
- **Zloty stronger to euro, EURUSD down**
- **Slight correction on the debt market**
- **Today may data in Poland and in the USA**

There was a moderate optimism on the world market on Thursday. Even slightly worse US data on new jobless claims did not spoil investors' moods. Stock exchange indices rose slightly, bonds trimmed some of the gains after Wednesday strengthening. The pressure on the market was put by the information from Wall Street Journal saying that in September the ECB would announce it would be limiting asset purchase programme at the beginning of next year. Despite this, CEE currencies remained stable close to Wednesday levels.

Yesterday Janet Yellen said in the US Senate that inflation risks remain two-sided and that it is too early to judge whether inflation will not reach the target. According to Fed chair, most of the FOMC members believe that the rates should be raised gradually.

S&P Agency revised their GDP forecast for Poland in 2017 from 3.3% to 3.6%. In our view the growth will be at 3.8% which is the same as Bloomberg median. The forecast for the remaining years stays unchanged (3.1%, 3.0% and 2.9%), the same as deficit forecast (3.0% GDP in 2017, and 3.0%, 2.9% and 2.8% in the following years).

EURUSD was falling since the morning and it reached 1.137 for a moment. US dollar has been strengthening despite unequivocal speech of Fed chair. The euro managed to make up for some of the losses after press releases on potential ECB decisions. EURUSD has still remained close to peaks of many months and upper band of consolidation channel observed since the beginning of 2015. Important US data are to be released today, ECB meeting is scheduled for next week, so there will be a lot of triggers of market volatility.

Good mood on the world markets supported CEE currencies. EURPLN fell somewhat, breaking 4.23 and establishing the new July minimum. Rate oscillations remain constrained, which suggests that a strong impulse is needed in order to create a significant move. Today we will get to see data regarding the Polish May balance of payments. Our current account balance forecast is notably higher than the consensus so the report could strengthen PLN even more at the end of the week. USDPLN remains under impact of changes on the EURUSD market and was hovering around 3.70 yesterday.

Other CEE currencies stayed flat with forint and koruna oscillating near Wednesday's closing. USDRUB fell temporarily below 60 but later in the day it returned above that level. Governor of the Russian central bank Elvira Nabiullina said that June's rise in inflation to 4.4% y/y is temporary and 4% year-end target looks safe. In her view inflation will ease in 2H17 and market expectations for central bank's rates changes match bank's view.

Yesterday core and euro zone's peripheral bonds underperformed their CEE peers. Bunds and Treasuries gave up part of Wednesday's gains with the 10Y Bund yield rising above 0.58%, its highest since late 2015. UST performed somewhat better than German debt and the 10Y yield rose to 2.33%. Czech 10Y benchmark continued to gain and the yield is now below 1%. Czech market rates were influenced by the yesterday's June inflation data.

Polish yield curve climbed by 1-2bp yesterday, following changes in markets abroad, and slightly less than a corresponding move in the IRS market. Domestic bonds outperformed their German counterparts again and as a result the 10Y PL-DE spread remained below 280bp.

Today we will get to see the balance of payments data for May, which may show a clear acceleration of export and import growth, after their temporary slowdown in April. We predict a significant surplus in the current account, higher than market consensus. High growth of exports and imports should be maintained in the coming months.

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## FX market

## Today's opening

EURPLN	4.2247	CZKPLN	0.1619
USDPLN	3.7010	HUFPLN*	1.3780
EURUSD	1.1415	RUBPLN	0.0618
CHFPLN	3.8286	NOKPLN	0.4489
GBPPLN	4.7965	DKKPLN	0.5681
USDCNY	6.7791	SEKPLN	0.4431

\*for 100HUF

## Last session in the FX market

13/07/2017

	min	max	open	close	fixing
EURPLN	4.219	4.236	4.232	4.224	4.2345
USDPLN	3.693	3.721	3.705	3.708	3.7133
EURUSD	1.137	1.146	1.142	1.139	-

## Interest rate market

13/07/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.81	0	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.69	1	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.33	1	23.03.2017	DS0727	3.568

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.77	1	1.45	1	-0.24	0
2L	1.93	0	1.61	1	-0.12	0
3L	2.06	0	1.74	1	0.00	-1
4L	2.21	0	1.86	2	0.16	0
5L	2.36	0	1.96	2	0.30	0
8L	2.67	0	2.20	3	0.71	1
10L	2.82	0	2.31	3	0.94	0

## WIBOR rates

Term	%	Change (bps)
O/N	1.61	0
T/N	1.61	1
SW	1.60	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	1.74	-2
9x12	1.81	1
3x9	1.81	0
6x12	1.83	1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.76	4
France	22	0	0.27	-1
Hungary	116	1	2.50	2
Spain	69	1	1.10	0
Italy	148	0	1.72	0
Portugal	184	1	2.55	-2
Ireland	34	1	0.31	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

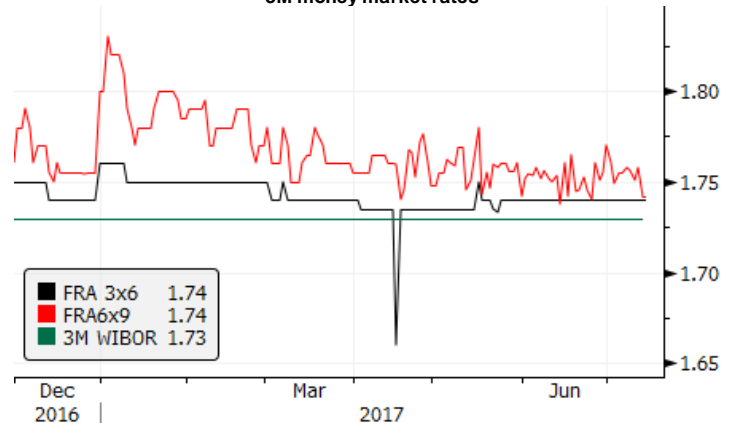
## Zloty exchange rate



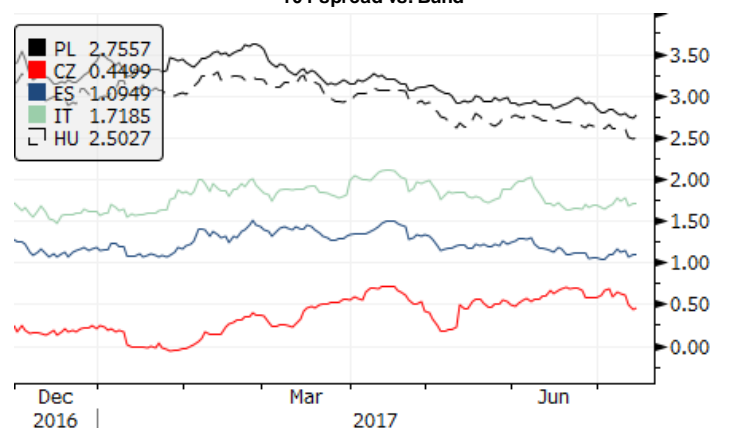
## T-bonds yields



## 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 (7 July)								
08:00	DE	Industrial output	May	% m/m	0.2	-	1,2	0.70
09:00	CZ	Industrial output	May	% y/y	3.50	-	8.10	-2.50
14:30	US	Change in nonfarm payrolls	Jun	k	180	-	222	152
14:30	US	Unemployment rate	Jun	%	4.30	-	4.40	4.30
	HU	Rating review by Moody's				-		
	PL	Rating review by Fitch				-		
MONDAY (10 July)								
8:00	GE	Exports	May	% m/m	0.3	-	1.4	0.9
TUESDAY (11 July)								
9:00	HU	CPI	Jun	% y/y	2.0	-	1.9	2.1
14:00	PL	CPI	Jun	% y/y	1.5	1.5	1.5	1.9
WEDNESDAY (12 July)								
9:00	CZ	CPI	Jun	% y/y	2.3	-	2.3	2.4
11:00	EZ	Industrial output	May	% m/m	-	-	1.3	0.3
14:00	PL	Core inflation	Jun	% y/y	0.8	0.8**	0.8	0.8
20:00	US	Fed Beige Book						
THURSDAY (13 July)								
14:30	US	Initial jobless claims	week	k	245	-	247	250
FRIDAY (14 July)								
14:00	PL	Current account	May	€m	247	609		-275
14:00	PL	Exports	May	€m	16 083	16 449		15 176
14:00	PL	Imports	May	€m	16 182	16 397		15 090
14:30	US	CPI	Jun	% m/m	0.1	-		-0.1
14:30	US	Retail sales	Jun	% m/m	0.1	-		-0.3
15:15	US	Industrial output	Jun	% m/m	0.3	-		0.0
16:00	US	Flash Michigan	Jul	pts	95	-		95.1

Source: BZ WBK. Reuters. Bloomberg

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

\*\*estimate after inflation data

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