

EYEOPENER

24 July 2017

Today flash PMIs

- **Stocks fall and bonds gain at the end of the week**
- **Zloty still under pressure, EURUSD stays above 1.16**
- **Today flash PMIs for Germany and euro zone**

The mood on the global market during Friday's session was poor. Stock exchange indexes decreased significantly while the euro zone bonds gained. Debt and FX market are still under the influence of the ECB rhetoric, but investors are awaiting the Wednesday FOMC statement, which will be key event in the second part of the week.

On Friday, EURUSD stayed near 1.165, its peak since August 2015. According to Reuters, the ECB will take decisions on the asset purchase programme in October, as during the September meeting the amount of available data will be insufficient, and moreover, the bank is not willing to take key decisions before the German elections (24 Sept). This week, EURUSD may be driven by the US data and the statement after the FOMC meeting on Wednesday evening. Today, we will learn July's German and euro zone flash PMI, however, we do not expect them to cause any persistent market changes.

The zloty remained under pressure versus the main currencies. On Friday after the closing of the domestic session, EURPLN reached c4.27, its highest since April, breaking the upper end of a 4.20-4.26 range observed since mid-June. Friday's EURPLN jump was the biggest daily upward move since November 2016. USDPLN rebounded to almost 3.66 from 3.61. Forint remained stable and EURHUF stood close this year's low at c305. Another day in a row, EURCZK tested 26, however on Friday it did not break that level. After Friday's oil prices fall below cUSD49/bbl, USDRUB rebounded and ended slightly above 59. At the beginning of the today's session the market sentiment is rather positive. We reckon that the coming days may be crucial for the zloty. If EURPLN remains above 4.26, the outlook for the Polish currency for the weeks to come may be good. We think that the outcome of the Wednesday FOMC meeting may be hawkish, from the market perspective, which in combination with the wave of protests in Poland may exert additional pressure on the zloty.

The global debt market gained on Friday. The dovish ECB statement supported European bonds and the Bund yield went back to 0.5%. More considerable falls in reaction to the ECB rhetoric were observed on the peripheral markets, as the 10Y yields declined by 2bp for 10Y Italian or 8bp for Portuguese bond. Treasuries went in the same direction, with most

considerable declines on the longer end. CEE region witnessed a steepening of the Czech curve, as front-end yields declined by more than 5bp and long-end by 2bp.

Polish IRS and bond yields rose slightly ahead of the weekend. On Friday, same as on Thursday, the Polish debt market did not react significantly to signals from the ECB. IRS rates also did not change much. In our view the long end will be under pressure this week due to local political issues. Already on Friday the 10-year spread to Bund rose to 276bp, the highest in a week.

M3 money supply rose by 5.0% y/y in June, the slowest pace since January 2013. Slowdown versus May (6.3% y/y) was due to slower growth in households' and corporate deposits. In monthly terms, household deposits increased by PLN3.4bn, while corporate declined by PLN5.4bn. This has partially reversed the surprising move seen in May (households -PLN3.9bn, corporates +PLN7.3bn).

This week, the market attention may turn to the US where FOMC will announce its decision on the interest rates. No change in monetary policy parameters is broadly expected this month so the tone of the statement should be crucial. The recent US economic activity data was rather mixed but the June non-farm payrolls surprised to the upside. That is why we think the July FOMC statement will leave the door open for the third 25bp rate hike this year. According to Bloomberg, the market is not pricing in such a scenario so the tone of the statement may be received by investors as rather hawkish. As a result, the outcome of the FOMC meeting may put a negative pressure on the zloty and Polish long-term bonds.

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FX market

Today's opening

EURPLN	4.2676	CZKPLN	0.1639
USDPLN	3.6603	HUFPLN*	1.3963
EURUSD	1.1659	RUBPLN	0.0616
CHFPLN	3.8688	NOKPLN	0.4554
GBPPLN	4.7578	DKKPLN	0.5739
USDCNY	6.7600	SEKPLN	0.4447

*for 100HUF

Last session in the FX market

21/07/2017

	min	max	open	close	fixing
EURPLN	4.209	4.269	4.210	4.267	4.2311
USDPLN	3.610	3.660	3.619	3.658	3.632
EURUSD	1.162	1.168	1.164	1.166	-

Interest rate market

21/07/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.83	2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.65	2	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.28	2	23.03.2017	DS0727	3.568

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.77	0	1.46	0	-0.25	0
2L	1.94	0	1.59	0	-0.16	-1
3L	2.06	0	1.70	0	-0.04	-2
4L	2.21	0	1.80	0	0.11	-2
5L	2.34	1	1.88	-1	0.25	-2
8L	2.64	1	2.09	-1	0.66	-2
10L	2.80	1	2.20	-1	0.89	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.61	0
T/N	1.61	0
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	1.76	1
9x12	1.81	0
3x9	1.81	0
6x12	1.83	0

Measures of fiscal risk

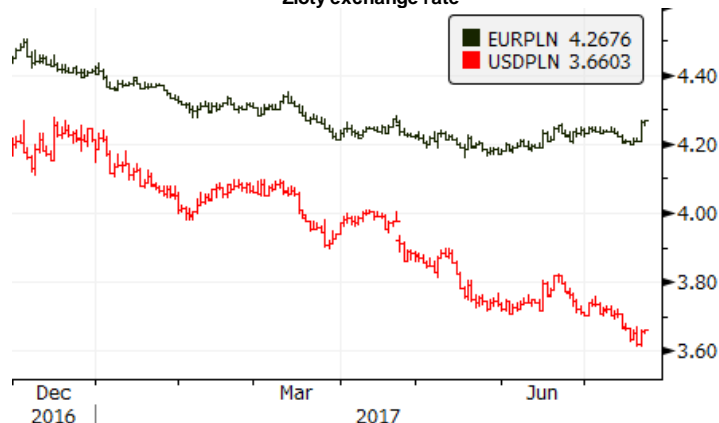
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.77	1
France	18	0	0.25	0
Hungary	116	1	2.55	-2
Spain	63	0	0.94	-1
Italy	135	-1	1.55	-1
Portugal	170	-1	2.38	0
Ireland	32	-1	0.29	-2
Germany	13	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

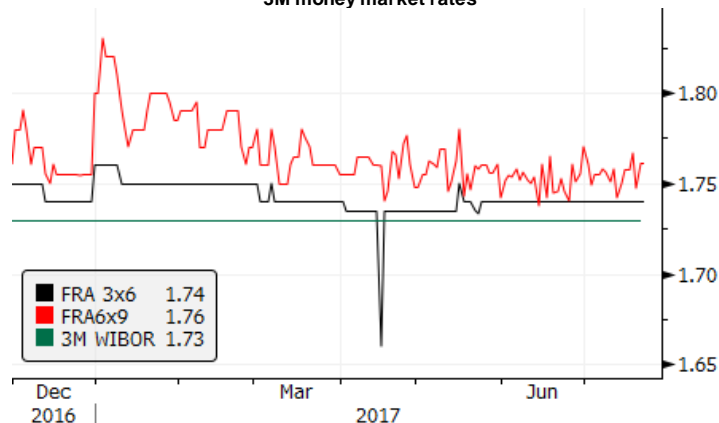
Zloty exchange rate



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 (21 July)								
14:00	PL	Money supply M3	Jun	% y/y	5.9	5.7	5.0	6.2
MONDAY (24 July)								
9:30	GE	Flash PMI – manufacturing	Jul	pts	59.2	-		59.6
9:30	GE	Flash PMI – services	Jul	pts	54.3	-		56.4
10:00	EZ	Flash PMI – manufacturing	Jul	pts	57.2	-		57.4
10:00	EZ	Flash PMI – services	Jul	pts	55.5	-		55.4
16:00	US	Home sales	Jun	m	5.56	-		5.62
TUESDAY (25 July)								
10:00	PL	Unemployment rate	Jun	%	7.1	7.2		7.4
10:00	GE	Ifo index	Jul	pts	114.9	-		115.1
16:00	US	Consumer confidence index	Jul	pts	116.0	-		118.9
WEDNESDAY (26 July)								
16:00	US	New home sales	Jun	k	615	-		610
20:00	US	FOMC decision		%	1.0-1.25	-		1.0-1.25
THURSDAY (27 July)								
14:30	US	Durable goods orders	Jun	% m/m	3.0	-		-0.8
14:30	US	Initial jobless claims	week	k	-	-		233
FRIDAY (28 July)								
14:30	US	Advance GDP	Q2	% y/y	2.5	-		1.4
16:00	US	Michigan index	Jul	pts	93.0	-		95.1

Source: BZ WBK, Reuters, Bloomberg

* in case of the revision, the data is updated

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