

EYEOPENER

28 July 2017

US GDP data due today

- Mixed sentiment in the world markets
- Zloty stable, EURUSD lower
- Polish debt market stronger
- Important US data today in the afternoon

The yesterday's session was mixed. The dovish tone expressed by the FOMC in the statement after the meeting on Wednesday caused a positive tendency on the bond markets, and yet the yields of US Treasuries finished the day higher. The dollar spent the day regaining what it has lost to the euro overnight. There was also a further rise of gold price, above US\$1263/oz. The data coming from the USA were also mixed. The initial jobless claims for the previous week were reported slightly higher than expected. There was a strong upside surprise in headline durable goods orders, but a core measure, excluding transport equipment disappointed. The market is waiting today for next important releases from the USA, which could potentially affect the pricing of further rate hikes in that country – the first estimate of Q2 GDP.

Yesterday EURUSD trimmed about a half of its strong upward Wednesday's move to 1.177 and was close to 1.17 at the end of the European trading hours. In the evening the rate slid even lower despite another loss of GOP in the US Senate on changes in Obamacare. After yesterday strengthening of the greenback, today market volatility may rise as important US data are due for release. Advance US GDP for 2Q17 can be an important market driver at the end of the week.

Yesterday, EURPLN jumped temporarily over 4.26 and then returned to the starting point, whereas USDPLN was climbing gradually but remained lower than on Wednesday. At the end of the day, EURPLN returned to c.4.255 and USDPLN reached c.3.65. The dovish tone of FOMC statement did not manage to strengthen zloty (probably due to increased political uncertainty triggered by the conflict over the judicial overhaul and the EC response). In consequence, the influence of today's data from the USA may be also limited. EURPLN has stabilized and is awaiting another important impulse. Yesterday, EURCHF

sprung above 1.12 and today exceeds 1.13, a peak since January 2015, when CHF exchange rate was liberated by the local central bank. As a result, CHFPLN dropped to 3.75.

In the CEE region, EURHUF stayed near 305 despite weaker than expected data on the unemployment rate that fell to 4.3% in June from 4.4% vs consensus at 4.2%. The other CEE currencies lost. Czech koruna was under pressure and EURCZK rose to 26.05 amid weakening market expectations that a rate hike will be delivered next week. Oil prices rose but USDRUB stayed flat around 59.5.

On the domestic interest rate market IRS and bond yields fell. Long term bond yields fell by c2.5bp while the IRS curve moved 1bp down. Strengthening of the euro zone bonds boosted demand for the CEE debt with the Czech bonds gaining the most. We think today's session should be rather calm. After the weekend, investors will learn the structure of bond holders at the end of June and the supply plan for August. According to the quarterly plan released by the Ministry of Finance, only two bond auction will be held next month (August 8 and 24). Next month PLN5.975bn will flow into the market from T-bill redemption.

Deputy labour minister Marcin Zieleniecki said in an interview for Polish Press Agency that at the end of 2017 the deficit of the Social Security Fund may lower than expected by PLN4.0bn thanks to the favourable labour market situation. According to the deputy minister, after lower retirement age (65 for men and 60 for women) comes into force, about 331k people will be eligible to retire, but about 25% of them (83k) may postpone their decision given the positive labour market decision. According to the data of the Ministry of Family, Labour and Social Policy, up to now 17% of insured decided to continue employment and did not apply for pension immediately after acquiring the pension rights. In our opinion there are no reasons to expect higher share of retirement postponement, as current law allows combining retirement with employment and this will be the most rational choice for most insured.

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FX market

Today's opening

EURPLN	4.2502	CZKPLN	0.1631
USDPLN	3.6338	HUFPLN*	1.3912
EURUSD	1.1696	RUBPLN	0.0610
CHFPLN	3.7527	NOKPLN	0.4578
GBPPLN	4.7531	DKKPLN	0.5715
USDCNY	6.7471	SEKPLN	0.4430

*for 100HUF

Last session in the FX market

27/07/2017

	min	max	open	close	fixing
EURPLN	4.243	4.268	4.253	4.250	4.265
USDPLN	3.610	3.658	3.658	3.643	3.6366
EURUSD	1.163	1.178	1.163	1.166	-

Interest rate market

27/07/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.79	-2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.64	-2	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.30	-1	23.03.2017	DS0727	3.568

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	0	1.46	-1	-0.25	0
2L	1.94	0	1.60	-2	-0.16	2
3L	2.08	0	1.72	-3	-0.03	0
4L	2.23	0	1.82	-3	0.11	-1
5L	2.36	-1	1.92	-3	0.26	-1
8L	2.67	-1	2.15	-3	0.68	-1
10L	2.83	-1	2.27	-2	0.92	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.57	-1
T/N	1.58	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	1.77	0
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	2.78	0
France	18	0	0.27	0
Hungary	116	1	2.58	1
Spain	63	0	0.96	0
Italy	133	0	1.56	0
Portugal	166	-1	2.41	1
Ireland	32	-1	0.30	0
Germany	13	-1	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

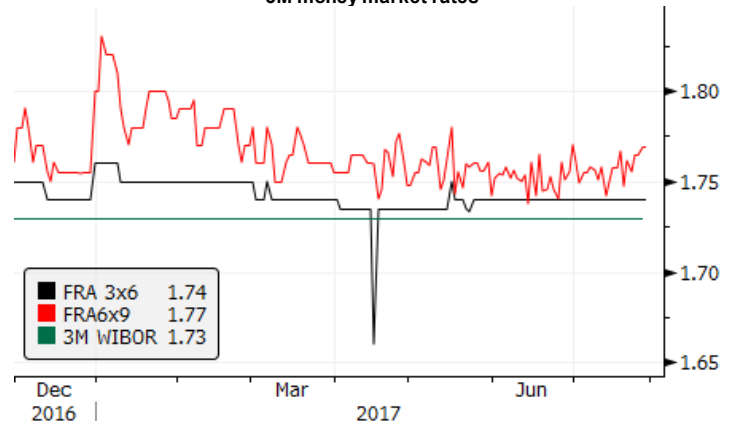
Zloty exchange rate



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 (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	-	58.3	59.6	
9:30	GE	Flash PMI – services	Jul	pts	54.3	-	53.5	56.4	
10:00	EZ	Flash PMI – manufacturing	Jul	pts	57.2	-	56.8	57.4	
10:00	EZ	Flash PMI – services	Jul	pts	55.5	-	55.4	55.4	
16:00	US	Home sales	Jun	m	5.56	-	5.52	5.62	
TUESDAY (25 July)									
10:00	PL	Unemployment rate	Jun	%	7.1	7.2	7.1	7.4	
10:00	GE	Ifo index	Jul	pts	114.9	-	116.0	115.2	
16:00	US	Consumer confidence index	Jul	pts	116.0	-	121.1	117.3	
WEDNESDAY (26 July)									
16:00	US	New home sales	Jun	k	615	-	610	605	
20:00	US	FOMC decision		%	1.0-1.25	-	1.0-1.25	1.0-1.25	
THURSDAY (27 July)									
14:30	US	Durable goods orders	Jun	% m/m	3.0	-	6.5	-0.1	
14:30	US	Initial jobless claims	week	k	240	-	244	234	
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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