

# EYEOPENER

4 August 2017

## Today US data in the spotlight

- **Stocks flat ahead of the US data**
- **Czech central bank hikes rates, BoE worries about economic growth in the UK**
- **Zloty gains, EURUSD climbs higher**
- **Today US monthly job report**

The day before the US non-farm payrolls release is often quite calm on the markets. This could also be said about yesterday, if we omit the market reaction to the GDP growth revision by Bank of England (2017 was lowered from 1.9% to 1.7%, 2018 from 1.7% to 1.6%). Yields fell on global bond market. PMI indices for euro zone services sector were slightly worse than expected but did not undermine market conviction that the economic rebound continues in Europe. ISM index for the non-manufacturing sector in the US fell to the lowest level since August 2016. Its employment component also declined, and it was the final clue before the today's release of non-farm payrolls.

EURUSD still did not see any data yesterday that could derail its upward trend. The set of recent publications remained more positive for the single currency than for the US dollar. Both the Wednesday ADP report and the yesterday ISM employment sub-index dampened market expectations before the monthly NFP report coming out this afternoon. As a result, EURUSD once again climbed above 1.185 and today in the morning the exchange rate is slightly higher. Given the recent rally, in our view, strong data should have a bigger impact on EURUSD than the below-consensus readings.

EURPLN dropped below 4.25 but this was still no breakout from the trading range and still looks rather modest in comparison with the volatility from mid-July, when the zloty was affected by the judiciary law overhaul, the wave of protests and growing conflict between the government and the EC. Today's figures from the US may appear significant for the zloty. Market interpreted the FOMC statement as dovish which had only temporary and limited positive impact on the zloty vs the euro. Considering that the internal factors generate rather upside pressure on EURPLN, we think that the US data may have a more noticeable impact on the zloty if they surprise to the hawkish side.

Decision of the Czech Central Bank (CNB) to hike the main refi rate by 20bp to 0.25% came as a surprise to the market, which anticipated monetary policy tightening, however not so soon since CNB finished its intervention on the koruna market. The koruna reaction was sharp but relatively insignificant, as once EURCZK reached 25.9, the exchange rate climbed back again

above 26.0. CNB revised its economic growth projections upwards, but at the same time lowered the expected CPI path. CNB's President stressed that further hikes will be dependent, among others, also on the scale of koruna appreciation.

Polish bond market remained fairly stable for the whole Thursday. Domestic yield and IRS curves shifted parallelly down by c2bp. One could see the changes on the German and American debt market (with yield declines after Bank of England lowered its GDP projection) as the reason for the shift on the local market. Asset swap spread of the Polish PLN- and EUR-denominated bonds did not change. The decision of the Czech central bank to hike the main rate by 20bp and the lombard rate by 25bp did not influence the bond markets. The switch auction in Poland was also market-neutral.

In the next few days, we do not expect any significant changes in Polish interest rate market. Lack of any crucial domestic data and market ignoring political turmoil should stabilize the market. However, volatility could rise yet before the weekend in reaction to the US jobs report. The market is not discounting any Fed rate hike that could take place later in the year so a better-than-expected data could trigger more noticeable market reaction.

Ministry of Finance sold OK0419, WZ1122, PS0123, WZ0126, DS0727 and WS0447 bonds for PLN5.76bn on yesterday's switch auction. Almost 40% of the debt sold was OK0419. After the auction, the Ministry said Poland has already financed 72% of its this year's gross borrowing needs.

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## FX market

## Today's opening

EURPLN	4.2414	CZKPLN	0.1629
USDPLN	3.5699	HUFPLN*	1.3950
EURUSD	1.1881	RUBPLN	0.0591
CHFPLN	3.6873	NOKPLN	0.4525
GBPPLN	4.6918	DKKPLN	0.5702
USDCNY	6.7186	SEKPLN	0.4409

\*for 100HUF

## Last session in the FX market

03/08/2017

	min	max	open	close	fixing
EURPLN	4.243	4.261	4.254	4.243	4.2538
USDPLN	3.569	3.598	3.585	3.575	3.5918
EURUSD	1.183	1.191	1.187	1.187	-

## Interest rate market

03/08/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.81	1	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.65	-3	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.33	-2	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	0	-0.25	0
2L	1.96	0	1.59	0	-0.16	0
3L	2.10	-1	1.70	0	-0.04	0
4L	2.25	-2	1.79	0	0.09	0
5L	2.39	-1	1.88	0	0.23	-1
8L	2.71	-1	2.10	0	0.64	-2
10L	2.87	-1	2.21	0	0.87	-2

## WIBOR rates

Term	%	Change (bps)
O/N	1.57	0
T/N	1.59	1
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	1.76	0
6x9	1.77	-1
9x12	1.84	0
3x9	1.84	0
6x12	1.86	0

## Measures of fiscal risk

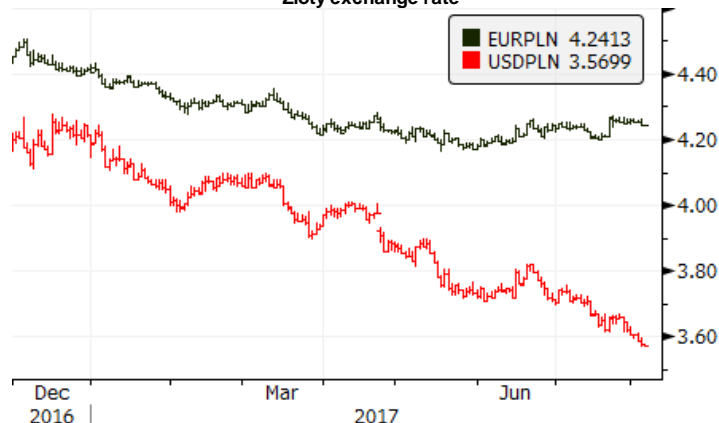
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.87	-3
France	17	0	0.27	0
Hungary	116	1	2.63	-1
Spain	64	0	0.98	-1
Italy	133	0	1.53	-1
Portugal	160	-1	2.37	-1
Ireland	32	-1	0.28	0
Germany	12	-1	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

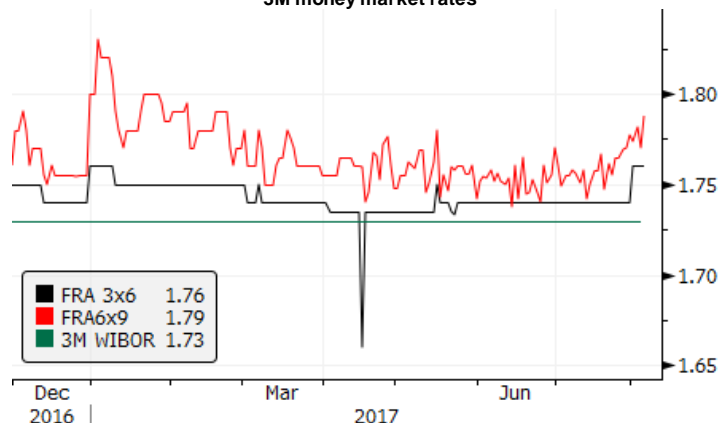
## Zloty exchange rate



## 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 (28 July)								
14:30	US	Advance GDP	Q2	% y/y	2.5	-	2.6	1.2
16:00	US	Michigan index	Jul	pts	93.1	-	93.4	95.1
MONDAY (31 July)								
11:00	EZ	Flash CPI	Jul	% y/y	1.2	-	1.3	1.3
14:00	PL	Flash CPI	Jul	% y/y	1.7	1.6	1.7	1.5
16:00	US	Pending home sales	Jun	% m/m	1.0	-	1.5	-0.7
TUESDAY (1 August)								
9:00	PL	PMI – manufacturing	Jul	pts	53.5	54.0	52.3	53.1
9:00	HU	PMI – manufacturing	Jul	pts	57.0	-	54.2	56.9
9:30	CZ	PMI – manufacturing	Jul	pts	56.2	-	55.3	56.4
9:55	DE	PMI – manufacturing	Jul	pts	58.3	-	58.1	59.3
10:00	EZ	PMI – manufacturing	Jul	pts	56.8	-	56.6	57.3
11:00	EZ	First GDP Estimate	2Q	% y/y	2.1	-	2.1	1.9
14:30	US	Personal income	Jun	% m/m	0.4	-	0.0	0.3
14:30	US	Consumer spending	Jun	% m/m	0.2	-	0.1	0.2
14:30	US	Core PCE inflation	Jun	% y/y	1.4	-	1.5	1.5
16:00	US	ISM – manufacturing	Jul	pts	56.0	-	56.3	57.8
WEDNESDAY (2 August)								
14:15	US	ADP report	Jul	k	190	-	178	191
THURSDAY (3 August)								
09:55	DE	PMI – services	Jul	pts	53.5	-	53.1	53.7
10:00	EZ	PMI – services	Jul	pts	55.4	-	55.4	54.7
11:30	PL	Bond auction						
13:00	CZ	Central Bank decision		%	0.25	-	0.25	0.05
13:00	UK	Central Bank decision		%	0.25	-	0.25	0.25
16:00	US	ISM – services	Jul	pts	56.5	-	53.9	57.4
FRIDAY (4 August)								
08:00	DE	Factory orders	Jun	% m/m	0.5	-	1.0	1.1
14:30	US	Change in nonfarm payrolls	Jul	k	183	-		222
14:30	US	Unemployment rate	Jul	%	4.3	-		4.4

Source: BZ WBK. Reuters. Bloomberg

\* in case of the revision the data is updated

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