

# EYEOPENER

7 August 2017

## Dollar supported by payrolls data

- **Positive surprise in the US at the end of the week**
- **PLN stable vs the euro but weaker vs USD after the decline of EURUSD**
- **US data sent bond yields higher**
- **Disappointing Czech and German output released today**

Fx rates and bond yields clearly observed limited fluctuations on Friday awaiting monthly data on American labour market. The US data release in the afternoon had positive impact, especially taking into account poor ADP report which had dampened market expectations prior to the release. Increase in non-farm employment (209k) was higher than expected (180k). There was also a solid growth in average hourly earnings, labour force participation rate increased as well. The US dollar appreciated as a result of this, while bond yields rebounded sharply on the core markets.

EURUSD went down from 1.888 to c1.173 on Friday after the release of the American labour data. The movement that occurred at the end of the week was not material vs the strong upward trend seen this year but we are of the opinion that the chances for a larger correction have increased. When looking at the fx rates in a wider perspective, the upward trend in EURUSD has accelerated since end of June and six week percentage change is now over 6%. The last time when the rate was increasing in such pace was in 2012. There are not many material data releases due this week and we think it will be difficult for EURUSD to keep such a pace of increase, especially after Friday US data. The currency pair has returned close to 1.18, but the morning poor release about German industrial output favours a downside correction.

On Friday, EURPLN was close to 4.24 for almost the whole day, but eventually the publication of the US payrolls made it decrease to 4.235. The dollar strengthening had however an immediate significant impact on USDPLN, which bounced to 3.61 from 3.57. The appreciation of the zloty vs Swiss franc and the British pound slowed down and the Friday drop of EURPLN was reversed early in the morning today.

The close of the week brought some surprises on the interest rates market. The publication of the US nonfarm payrolls awaited by investors drove the US bond yields sharply higher. Overall, the whole US yield curve rose by 2bp, a bit more on the long end. The IRS curve moved up slightly more, by 3bp.

FRA rates changed only marginally. In the case of German debt, yields rose temporarily by 2-3bp immediately after the release of data, to return at the end of the day close to the opening levels.

The domestic yield curve moved up by 2bp while the FRA market remained indifferent to the released data. We believe the smaller European response reflects investors' concerns as to the results of the earlier euro strengthening against the US dollar in the context of strained trade relations between Germany and the US.

We expect no significant change on the domestic and underlying debt markets. This will be supported by no major data releases planned for Monday and the prospects of media activity of only the dovish members of the Fed throughout the week. Looking ahead to the end of the month, we see room for a slight increase in yields and an increase in the spread of Polish benchmark over German and US papers at the long end of the curve.

According to „Dziennik Gazeta Prawna” Daily, VAT revenues in January-July were 25% higher than in the same period last year, showing a deceleration from c30% seen in January-May and January-June. Deputy PM Mateusz Morawiecki repeated his reserved estimates that 2017 budget deficit could be only PLN10bn lower than planned while after June the deficit was PLN25bn below the plan.

Moody's said that presidential CHF bill proposal is unlikely to be harmful for the ability to create credit, but could negatively affect credit risk of the banking sector.

This week, macro calendar is rather light (US CPI could attract attention but will be released only on Friday) so the market could remain under the impact of the US strong monthly jobs report. Recent US data was not too encouraging, so the impact of Friday's positive surprise might persist in the days to come halting the upside trend in EURUSD and generating upside pressure on the market interest rates. On the other hand, several FOMC members who will speak this week seem to belong to the dovish camp and they could neutralize at least part of the hawkish signal sent by the US non-farm payrolls. In Poland, we will learn final July CPI that is rather unlikely to deviate much from the flash estimate. Our forecast for the June C/A assumes deficit much larger than the market expects and this could weigh on the zloty.

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## FX market

## Today's opening

EURPLN	4.2419	CZKPLN	0.1625
USDPLN	3.5997	HUFPLN*	1.3930
EURUSD	1.1784	RUBPLN	0.0599
CHFPLN	3.6991	NOKPLN	0.4529
GBPPLN	4.6951	DKKPLN	0.5703
USDCNY	6.7208	SEKPLN	0.4421

\*for 100HUF

## Last session in the FX market

04/08/2017

	min	max	open	close	fixing
EURPLN	4.236	4.247	4.243	4.244	4.2423
USDPLN	3.567	3.615	3.575	3.605	3.5702
EURUSD	1.173	1.189	1.187	1.177	-

## Interest rate market

04/08/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.81	2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.67	-1	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.35	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	1.47	1	-0.25	0
2L	1.96	0	1.61	2	-0.16	0
3L	2.10	0	1.72	2	-0.04	1
4L	2.25	0	1.81	2	0.10	0
5L	2.39	0	1.90	2	0.24	1
8L	2.71	0	2.12	2	0.64	0
10L	2.87	0	2.24	3	0.88	1

## WIBOR rates

Term	%	Change (bps)
O/N	1.60	3
T/N	1.60	1
SW	1.60	1
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	1.76	-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	2.89	2
France	18	0	0.27	-1
Hungary	116	1	2.64	1
Spain	64	0	0.98	-2
Italy	134	1	1.53	-2
Portugal	160	0	2.35	-2
Ireland	32	-1	0.28	-1
Germany	12	0	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

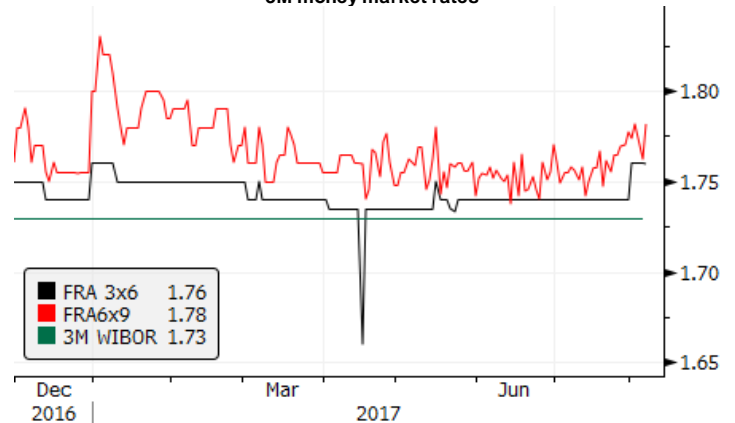
## Zloty exchange rate



## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIO D		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
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
MONDAY (7 August)								
8:00	GE	Industrial output	Jun	% m/m	0.2	-	-1.1	1.2
9:00	CZ	Industrial output	Jun	% y/y	7.0	-	2.2	8.1
TUESDAY (8 August)								
8:00	GE	Exports	Jun	% m/m	-	-		1.4
9:00	HU	CPI	Jul	% y/y	2.0	-		1.9
WEDNESDAY (9 August)								
9:00	CZ	CPI	Jul	% y/y	2.3	-		2.3
THURSDAY (10 August)								
14:30	US	Initial jobless claims	week	k	-	-		240
FRIDAY (11 August)								
14:00	PL	CPI	Jul	% y/y	1.7	1.7		1.5
14:00	PL	Current account	Jun	€m	-750	-		-179
14:00	PL	Exports	Jun	€m	16 577	-		16257
14:00	PL	Imports	Jun	€m	16 457	-		16457
14:30	US	CPI	Jul	% m/m	0.2	-		0.0

Source: BZ WBK, Reuters, Bloomberg

\* in case of the revision the data is updated

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