

# EYEOPENER

10 August 2017

## Risk aversion holds

- **Pessimism is still seen on the markets**
- **EURPLN and USDPLN moved higher, EURUSD went down**
- **Limited changes in Polish yields and IRS**
- **Today weekly labour market data in the USA**

Since the beginning of the week we have observed gloomy mood on the global markets. Risk appetite has decreased, fueled by weaker than expected German industrial data as well as by rising tension between North Korea and the US. As a result European stock exchange indices dropped, bond prices went up and CEE currencies started to soften. US initial labour productivity data which were announced yesterday, surprised positively and helped to push the dollar up in the evening.

EURUSD hesitated near 1.174 for a long time but on Wednesday afternoon, the dollar started to strengthen vs the euro, the same as on Tuesday. As a result the rate temporarily went down to below 1.17. The intraday volatility is higher recently which has to do with low liquidity during the holiday season. Today the data on the number of new unemployed are to be released in the USA. The data are important in general but recently they did not materially impact rates. However, they may cause significant volatility during today's session while the market is awaiting the US inflation reading on Friday. The focus on the long awaited CPI reading has only grown in light of yesterday statement by FOMC member Charles Evans. He stated that it would be "reasonable" to announce the beginning of a reduction of the central bank's balance sheet next month, while cautioning that disappointing inflation data may delay interest-rate increases as technological disruption dampens

price pressures (the recent weaker readings were due to lower telecom services prices). William Dudley is scheduled to make statement today.

Yesterday EURPLN climbed for the fourth session in a row and was close to 4.27, i.e. the upper limit of consolidation channel valid since end of July. USDPLN rebounded to 3.65 from 3.63, also due to falling EURUSD. Weaker demand for risky assets supported the Swiss franc even more and CHFPLN jumped to 3.78 from 3.72 (the rate was at 3.68 on Friday). Other CEE currencies were also weak yesterday. EURHUF broke 305, EURCZK was above 26.15, while USDRUB tested 60. EURPLN is close to an important resistance and the upcoming days may be crucial for further developments – whether EURPLN will persistently exceed 4.27 or correct to 4.23.

On the domestic interest rate market bond yields rose by no more than 2bp while IRS stayed flat. Higher demand for safe assets pushed the 10Y yields of German and US bonds down by c5bp in the first part of the day while later this move was largely reversed. We think volatility could be low for the better part of the today's session and only in the afternoon there could be some market reaction to the US initial jobless claims.

According to NBP survey conducted among banks' credit officers, in 2Q banks recorded a rise in demand for loans from companies. According to officers, higher demand was driven by the needs to finance investments, inventories and working capital. In our view, this is a next signal pointing to a revival of investments, next to acceleration of construction output and number of agreements signed for the EU financing. The survey showed also higher demand for mortgage and consumer loans amid more restrictive lending criteria (in case of mortgage loans it was the first time in a year that lending criteria were tightened).

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## FX market

## Today's opening

EURPLN	4.2700	CZKPLN	0.1632
USDPLN	3.6392	HUFPLN*	1.3983
EURUSD	1.1734	RUBPLN	0.0606
CHFPLN	3.7673	NOKPLN	0.4576
GBPPLN	4.7220	DKKPLN	0.5740
USDCNY	6.6648	SEKPLN	0.4447

\*for 100HUF

## Last session in the FX market

09/08/2017

	min	max	open	close	fixing
EURPLN	4.258	4.272	4.263	4.272	4.2638
USDPLN	3.621	3.651	3.627	3.637	3.6342
EURUSD	1.169	1.177	1.175	1.174	-

## Interest rate market

09/08/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.81	4	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.69	2	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.37	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	-1	1.46	-1	-0.25	0
2L	1.96	-1	1.60	-2	-0.16	-1
3L	2.10	0	1.70	-2	-0.05	-1
4L	2.25	0	1.79	-3	0.08	-2
5L	2.38	0	1.87	-3	0.22	-2
8L	2.69	0	2.09	-3	0.62	-2
10L	2.85	0	2.20	-3	0.84	-4

## WIBOR rates

Term	%	Change (bps)
O/N	1.58	0
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	1.75	0
6x9	1.79	1
9x12	1.83	0
3x9	1.83	0
6x12	1.86	0

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.94	1
France	18	0	0.29	0
Hungary	116	1	2.65	0
Spain	67	2	0.98	-1
Italy	137	4	1.57	-1
Portugal	158	1	2.38	-1
Ireland	32	-1	0.29	-1
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

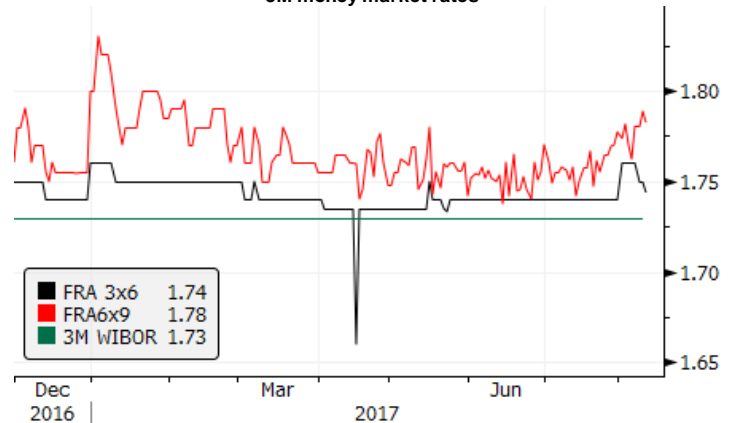
## Zloty exchange rate



## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	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	0.2	-	-2.8	1.5
9:00	HU	CPI	Jul	% y/y	2.0	-	2.1	1.9
WEDNESDAY (9 August)								
9:00	CZ	CPI	Jul	% y/y	2.3	-	2.5	2.3
THURSDAY (10 August)								
14:30	US	Initial jobless claims	week	k	240	-		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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