

# EYEOPENER

23 August 2017

## No investment growth in 1H of 2017

- Risk appetite returned ahead of Jackson Hole
- Record profits in 2Q in Polish large enterprises, but no growth of investment outlays in the whole 1H of 2017
- The zloty somewhat weaker vs the euro, also giving back gains vs the dollar due to a decline of EURUSD
- Better market mood weighed on bonds
- Today important indices on business sentiment in Euro zone and the USA

Global market sentiment improved on Tuesday and stock prices in Europe rose, just like the bond yields on the core and Euro zone peripheral market. German data did not distort these trends. In August, ZEW expectations index plummeted much more than expected while the current situation index was only slightly higher than forecasted.

EURUSD neutralized Monday's rise and fell during the day to 1.175 from just above 1.18. The euro might have been pressured by weaker-than-expected German data. Room for continuation of the EURUSD upside move could have been curbed by the outlook for major central bankers comments that are likely to emerge later in the week. Today flash August services and manufacturing PMIs for the Euro zone and the US will be released. Just like in the case of the yesterday's German data, intraday EURUSD volatility may remain elevated but we expect the exchange rate to remain in the horizontal range waiting for a Jackson Hole symposium. This morning Mario Draghi will speak but we think he would wait for the Jackson Hole meeting to announce any material changes in the ECB's monetary policy.

EURPLN remained near 4.275 while USDPLN rose to 3.63 from 3.615 reversing the Monday's decline. EURPLN holds just below the local peak and is waiting for an impulse that could trigger a persistent move. We think the central bankers meeting in Jackson Hole this week could deliver the impulse and we expect the zloty to be under pressure vs the euro in the days to come.

On the CEE fx markets, the ruble and the koruna stayed relatively stable. The Hungarian forint was more volatile. It depreciated against EUR and landed close to 304 after three

days of appreciation. At the yesterday meeting the Hungarian central bank (MNB) decided to leave interest rates unchanged with the main rate at 0.90%. MNB underpinned that the Council will stand ready to ease monetary conditions further if needed. In the bank's opinion inflation target could be achieved only at the beginning of 2019 but external environment continues to pose a downside risk to CPI.

Domestic IRS rates and yields rebounded by 1-3bp, mostly on the long end of the curve, as a response to the core markets debt devaluation. As a result 10Y bond yield went back above 3.30%. IRS rates in the 5Y-10Y segment reached levels close to its July record low i.e. 2.27% and 2.72%. We believe that the next few days may decide whether the downward trend will be stopped or not. Our base scenario assumes that central bankers comments at the Jackson Hole seminary might turn out slightly hawkish. As a consequence we continue to see further upside for 5Y-10Y IRS rates in the direction of 2,43% and 2,90% respectively.

According to the Polish statistical office, the investment outlays of companies hiring at least 50 people fell in 1H17 by 1.1% y/y. The publication is a hint about total investment growth in the national economy in 2Q17, which will be released next week. The message from the report is consistent with the earlier comment of head of the GUS National Accounts Department, who said that the impact of investments on GDP growth was nearly neutral (although this comment referred to total investments, while the above-mentioned data concerned investments of the biggest companies). The result would have been even worse if there was no rise in spending on transport equipment (+10.7% y/y in 1H17). Positive growth in spending on machinery and tools decelerated to 1.3% y/y from 5% in 1Q17. Companies' outlays on buildings and structures kept falling (-9.1% y/y). The data showed a decrease of investments of large enterprises in nominal terms in 2Q17 alone by c.1.5% y/y after 1.2% y/y rise in the first quarter. Moreover, the GUS report showed that the wage bill continued solid pace of growth, rising 9.5% y/y in 2Q after 9.8% y/y in 1Q. Average profit margin at 5.3% was similar as in the corresponding periods of previous years, which suggests there was no strong pressure on price growth in the first year-half. Nevertheless, it is worth mentioning that 2Q17 was the best quarter recorded so far as regards the Polish companies' net profit.

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## FX market

## Today's opening

EURPLN	4.2752	CZKPLN	0.1639
USDPLN	3.6369	HUFPLN*	1.4100
EURUSD	1.1755	RUBPLN	0.0615
CHFPLN	3.7549	NOKPLN	0.4596
GBPPLN	4.6637	DKKPLN	0.5748
USDCNY	6.6644	SEKPLN	0.4484

\*for 100HUF

## Last session in the FX market

22/08/2017

	min	max	open	close	fixing
EURPLN	4.271	4.282	4.277	4.273	4.2772
USDPLN	3.616	3.642	3.618	3.632	3.6334
EURUSD	1.175	1.183	1.182	1.176	-

## Interest rate market

22/08/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.76	0	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.63	0	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.32	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	1	-0.26	0
2L	1.94	0	1.58	2	-0.18	0
3L	2.07	0	1.68	2	-0.07	0
4L	2.20	0	1.76	2	0.06	0
5L	2.31	0	1.84	2	0.19	0
8L	2.60	0	2.05	2	0.60	1
10L	2.76	1	2.15	2	0.83	1

## WIBOR rates

Term	%	Change (bps)
O/N	1.60	1
T/N	1.59	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	1.75	0
6x9	1.76	-1
9x12	1.82	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	2.92	2
France	20	0	0.30	0
Hungary	116	1	2.64	0
Spain	70	1	1.16	-1
Italy	145	7	1.69	-1
Portugal	166	0	2.34	-1
Ireland	32	-1	0.33	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

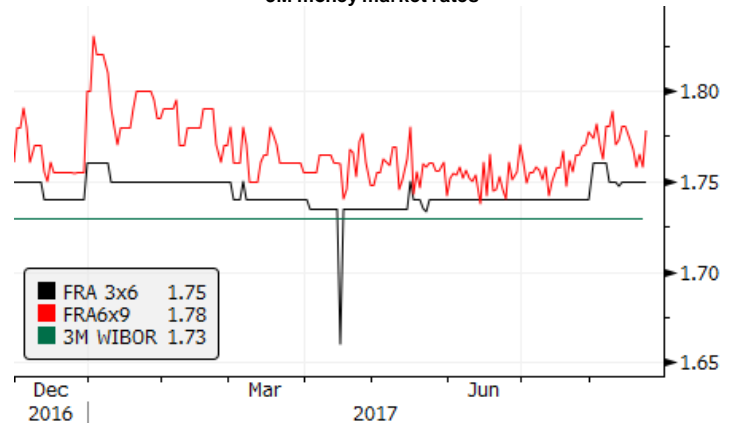
## Zloty exchange rate



## 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 (18 August)								
14:00	PL	Industrial output	Jul	% y/y	8.4	8.5	6.2	4.5
14:00	PL	Construction and assembly output	Jul	% y/y	13.7	13.3	19.8	11.6
14:00	PL	Retail sales	Jul	% y/y	7.4	7.0	6.8	5.8
14:00	PL	PPI	Jul	% y/y	2.0	1.9	2.2	1.8
16:00	US	Flash Michigan	Aug	pts.	94.0	-	97.6	93.4
MONDAY (21 August)								
14:30	US	Chicago Fed index	Jul	pts	0.10	-	-0.01	0.16
TUESDAY (22 August)								
11:00	DE	ZEW indeks	Aug	pts	85.3	-	86.7	86.4
14:00	HU	Central bank rate decision	Aug	%	0.90	-	0.90	0.90
WEDNESDAY (23 August)								
9:30	DE	Flash PMI - manufacturing	Aug	pts	57.6	-		58.1
9:30	DE	Flash PMI - services	Aug	pts	53.3	-		53.1
10:00	EC	Flash PMI - manufacturing	Aug	pts	56.3	-		56.6
10:00	EC	Flash PMI - services	Aug	pts	55.4	-		55.4
14:00	PL	Money supply	Jul	% y/y	5.1	5.0		5.0
15:45	US	Flash PMI - manufacturing	Aug	pts	53.5	-		53.3
15:45	US	Flash PMI - services	Aug	pts	54.9	-		54.7
16:00	US	New home sales	Jul	% m/m	0.0	-		0.8
THURSDAY (24 August)								
10:00	PL	Unemployment rate	Jul	%	7.1	7.1		7.1
14:00	PL	MPC minutes						
14:30	US	Initial jobless claims	Aug	k	236	-		232
16:00	US	Existing home sales	Jul	% m/m	0.7	-		-1.8
FRIDAY (25 August)								
8:00	DE	GDP SA	2Q	% q/q	0.6	-		0.6
10:00	DE	Ifo index	Aug	pts	115.5	-		116.0
10:00	PL	LFS unemployment rate	2Q	%	4.8	4.8		5.4
14:30	US	Durable goods orders	Jul	% m/m	-6.0	-		6.4

Source: BZ WBK, Reuters, Bloomberg

\* in case of the revision the data is updated

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