

EYEOPENER

28 August 2017

Central bankers supported the zloty

- **Dovish tone of central bankers' speeches in Jackson Hole**
- **Polish budget still in surplus after seven months**
- **Euro and zloty gained, yields fell after the Jackson Hole symposium**

On Friday financial markets were focused on what the major central bankers had to say at Jackson Hole. The speeches by Fed and ECB governors led to a large appreciation of the euro vs the dollar and of the zloty vs the euro.

Janet Yellen's remarks were entirely about the assessment of post-crisis regulatory changes in the banking sector and plans in this area. Investors read her words on the adequate level of regulation (in the context of proposals to loosen the Dodd-Frank Act) as a signal that monetary policy will not be tightened much from where it is. Mario Draghi also sounded relatively dovish. He said that the slow increase of inflation means that the accommodative policy is still needed and the central bank has to stay cautious. He expressed no worries about the quick appreciation of the euro which only fueled a further rise of EURUSD.

The Polish Ministry of Finance informed about the central budget surplus of PLN2.4bn after July. January-July revenues were PLN206.1bn, up 9.3% y/y. In July alone however revenues were 20.4% lower than a year ago due to a different month when the NBP profit was transferred to the budget (this year it was in June, in 2016 it was July). When it comes to the tax revenues a decent pace of growth was maintained – indirect taxes and personal income taxes were up c8% y/y, corporate income tax increased 11% y/y. Expenditures grew by 0.8% y/y. The ministry also released information about issuance plans for 3Q. Deputy minister Piotr Nowak indicated a PLN3-10bn range. In his view the very good fiscal stance allows a much lower actual value of financing needs than the planned PLN168.7bn.

Janet Yellen and Mario Draghi have not delivered a new message about timing of an exit from ultra-easy monetary policy on the Jackson Hole symposium. Draghi even admitted that monetary accommodation is still needed. As a consequence UST 10Y yields decreased to 2.16% from 2.20%, while 10Y Bunds to 0.38% from 0.40%. Information from Europe (Ifo, Germany GDP) didn't influence the debt bonds market.

Yields of domestic bonds slid after the Jackson Hole central bankers statement and news about Polish budget surplus after July. As a result domestic yield curve shifted down by c2bp in the 2Y and 10Y segment as well as by c1bp in 5Y segment. This downshift was a consequence c2bp. drop of credit risk curve.

We expect some adjustment of Fridays yields downfall on Monday. We think that more aggressive correction will likely be in the second part of the week, while investors "recall" solid data from European economy.

EURUSD jumped to 1.188 at the end of the Polish session. For the whole day investors were waiting for comments of central bankers gathered at the Jackson Hole symposium. Lack of any hawkish remarks made by Janet Yellen and no comment of Mario Draghi regarding strong euro provided additional boost for EURUSD. As a result, the exchange rate jumped to 1.196. Earlier, the data from Europe (good Ifo, non-surprising German GDP) and from US (only slightly weaker than expected durable goods orders) were ignored.

In case of the zloty there was also a positive reaction to Janet Yellen's speech. However, the initial trigger for EURPLN decline was the budget data released earlier. The EURPLN closed at 4.2520, by PLN0.008 lower than on Thursday. USDPLN was declining and closed at 3.58 (PLN0.03 lower than on Thursday), following the EURUSD change. In case of other CEE currencies, EURHUF ended the day near the opening level, after a slight selloff in the morning and a rebound after the Yellen's speech. EURCZK declined slightly. The Russian ruble was gaining in expectation for central bankers' comments, which brought USDRUB to 58.60 at Friday's close, versus 59.1 on Thursday.

We expect zloty's appreciation vs the euro to continue today. Polish currency should be supported by expectation for the detailed 2Q GDP data release. Later in the week, after the GDP publication, there could be some profit taking which to some extent might be fueled by the expected by us correction after the recent EURUSD rally.

This week we will learn Polish manufacturing PMI and flash CPI for August. Business optimism in the Euro zone increased in August and we expect it will translate to a rebound of Polish PMI. The index was recently under influence of erratic domestic orders, leading to several negative surprises, and bringing it out of sync with the rebound in main trading partner economies. Flash August CPI could be similar to the July outcome of 1.7% y/y. There was an almost 2% m/m rebound of fuel prices and butter prices continued to rise, but in our view some pressure on fruit and vegetable prices has already come off. In general we still see CPI rising until November, getting to c2% y/y, before a strong negative base effect sends it 0.5pp lower. The detailed 2Q GDP data are a highly awaited publication. There is little doubt private consumption was strong in this period, but it seems investments were still low, despite the increased activity reported in the construction sector.

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FX market			
Today's opening			
EURPLN	4.2590	CZKPLN	0.1632
USDPLN	3.5686	HUFPLN*	1.4000
EURUSD	1.1935	RUBPLN	0.0608
CHFPLN	3.7349	NOKPLN	0.4600
GBPPLN	4.6024	DKKPLN	0.5725
USDCNY	6.6393	SEKPLN	0.4480

*for 100HUF

Last session in the FX market 25/08/2017					
	min	max	open	close	fixing
EURPLN	4.247	4.263	4.261	4.256	4.26
USDPLN	3.565	3.618	3.610	3.572	3.6112
EURUSD	1.177	1.194	1.180	1.192	-

Interest rate market 25/08/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.70	-2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.60	-1	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.28	-1	23.03.2017	DS0727	3.568

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.77	0	1.45	0	-0.26	0
2L	1.93	0	1.56	0	-0.18	0
3L	2.06	0	1.65	0	-0.07	0
4L	2.19	1	1.73	-1	0.06	1
5L	2.31	1	1.81	-1	0.18	0
8L	2.60	1	2.01	-2	0.58	0
10L	2.76	1	2.11	-2	0.82	1

WIBOR rates

Term	%	Change (bps)
O/N	1.52	-6
T/N	1.53	-6
SW	1.58	-2
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	1.78	2
9x12	1.82	0
3x9	1.83	0
6x12	1.85	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.90	-1
France	21	0	0.31	0
Hungary	116	1	2.52	0
Spain	70	0	1.22	0
Italy	145	-1	1.72	0
Portugal	165	-1	2.47	1
Ireland	32	-1	0.34	0
Germany	13	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

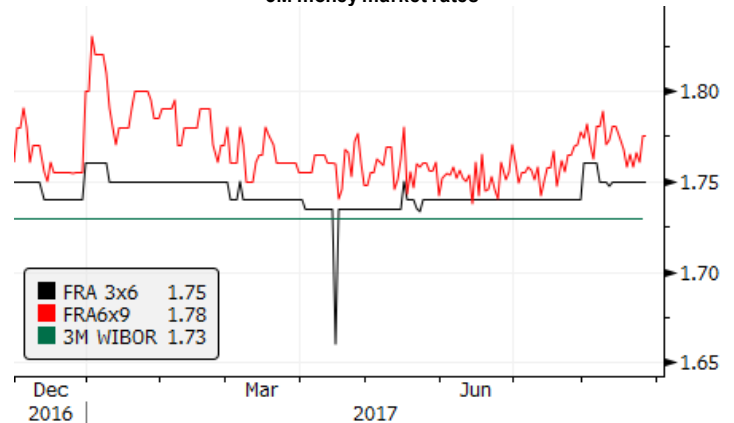
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
FRIDAY (25 August)								
8:00	DE	GDP SA	2Q	% q/q	0.6	-	0.6	0.6
10:00	DE	Ifo index	Aug	pts	115.5	-	115.9	116.0
14:30	US	Durable goods orders	Jul	% m/m	-6.0	-	-6.8	6.4
MONDAY (28 August)								
No important data releases								
TUESDAY (29 August)								
16:00	US	Consumer confidence index	Aug	pts	120	-		121.1
WEDNESDAY (30 August)								
14:15	US	ADP report	Aug	k	185	-		178
14:30	US	Preliminary GDP	Q2	% q/q	2.7	-		1.2
THURSDAY (31 August)								
10:00	PL	GDP	Q2	% y/y	3.9	3.9		4.0
10:00	PL	Fixed investments	Q2	% y/y	2.5	2.1		-0.4
10:00	PL	Private consumption	Q2	% y/y	4.5	4.7		4.7
11:00	EZ	Flash CPI	Aug	% y/y	1.4	-		1.3
14:00	PL	Flash CPI	Aug	% y/y	-	1.7		1.7
14:30	US	Consumer spending	Jul	% m/m	0.4	-		0.1
14:30	US	Personal income	Jul	% m/m	0.3	-		0.0
14:30	US	Initial jobless claims	week	k	237	-		234
16:00	US	Pending home sales	Jul	% m/m	0.6	-		1.5
FRIDAY (1 September)								
3:45	CN	PMI – manufacturing	Aug	pts	51.0	-		51.1
9:00	PL	PMI – manufacturing	Aug	pts	-	54.0		52.3
9:00	CZ	Preliminary GDP	Q2	% y/y	4.5	-		3.0
9:55	DE	PMI – manufacturing	Aug	pts	59.4	-		58.1
10:00	EZ	PMI – manufacturing	Aug	pts	57.4	-		56.6
14:30	US	Non-farm payrolls	Aug	k	180	-		209
14:30	US	Unemployment rate	Aug	%	4.3	-		4.3
16:00	US	ISM – manufacturing	Aug	pts	56.4	-		56.3
16:00	US	Michigan index	Aug	pts	97.3	-		93.4

Source: BZ WBK, Reuters, Bloomberg

* in case of the revision the data is updated

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