

# EYEOPENER

8 September 2017

## Bonds and EURUSD jump after ECB conference

- **Moody's credit risk report be published?**
- **ECB sounds dovish, QE changes will be presented in October**
- **Zloty weaker despite ECB rhetoric, EURUSD was going up further**
- **Yields go down**

Today, after market close Moody's should deliver an update of the Polish rating. In our view the agency will confirm the A2 grade with stable outlook, justifying this decision with the improved macro forecasts (recently updated by the agency to 4.3% GDP growth for 2017, more than the current market consensus) and fiscal situation (deficit likely below 3% GDP). Moody's may also express worries about the changes in the judicial system and the ongoing conflict with the European Commission (it already issued a note on this in late July), but we think these themes will not overshadow the strong positive economic environment. A year ago on 9-Sep Moody's did not published a scheduled report on Poland, despite the fact that two weeks before the calendar day the agency warned about credit-negative consequences of the conflict with the EC regarding the Polish constitutional court. So it is not certain we will get the report today.

The main event of the yesterday session was the ECB decision and the press conference of Mario Draghi. We read the statement as dovish and so was the tone when the governor answered questions. Draghi referred many times to the risks linked to the appreciation of the euro vs the dollar. The ECB repeated that the Euro zone economy still needs a substantial support from monetary policy and that the QE program will last for sure until 2017 or longer, with the possibility of raising the scale of monthly purchases, if needed. Draghi said that the ECB is most likely going to present the planned changes in the QE program in October and the implementation date will likely be the start of 2018. During the press conference the governor expressed an opinion that the loose monetary policy and the economic growth will eventually lead to a rebound of inflation. It seems to us that this was a less sharp opinion than the one from Sintra in late June that deflationary factors had been replaced by inflationary ones.

At The ECB revised its GDP and inflation forecasts. According to the central bank, this year the euro zone economy will grow by 2.2% in 2017, 1.8% in 2018 and 1.7% in 2019. Estimate for this year went up by 0.3pp versus the July projection, while

further years remained unchanged. The EBC is still expecting this year's inflation at 1.5%, while forecasts for 2018 and 2019 went down by 0.1pp to 1.2% and 1.5%, respectively. EURUSD assumed in the projection is 1.18.

Support for bonds and EURUSD may have been provided by US data prior to the ECB conference. Initial jobless claims were at 300k, which was the highest reading since April 2015. The consensus was by 50k lower and one week ago the figure was at 236k. However, the official statement of the US Department of Labour explained that such a rise was due to destruction caused by the Hurricane Harvey.

Statement and message of the ECB press conference were dovish and bonds responded with lower yields (mostly on the peripheries: by 7-10bp, while 10Y Bund went down by 4bp). The positive impact of these changes was visible also on the Polish market, as yield of 10Y benchmark fell by over 4bp. IRS curve went down by 1-3bp, with the most considerable changes on the lower and middle of the curve. IRS rates went close to this year's lows established in mid-2017. In our view, the upcoming weekend may halt the downward march of yields, but the yesterday's message of the ECB and expectations for today's Moody's statement can be debt-positive.

Since June, EURUSD rose above 1.20 from 1.12 while the ECB cut inflation forecasts by only 0.1pp while expectations regarding the economic growth did not deteriorate and this might have triggered yesterday's exchange rate jump to 1.206 from 1.197. Only minor changes in forecasts suggest that the euro's level might not be that important for the ECB than the market had thought so far. Additional driver of the yesterday's EURUSD rise might have been the US data – initial jobless claims rose to nearly 300k. At the end of the Polish session the exchange rate was near 1.201 and today in the morning is back at 1.206. No important data is due today so some profit taking could take place after the euro's appreciation seen so far this week.

EURPLN rose to nearly 4.26 yesterday yet before the ECB press conference, an upside move was seen also in the case of EURCZK. Forint and ruble benefited from the positive global market sentiment, dovish ECB rhetoric and rising commodity prices. The Russian currency gained despite central bank governor saying that rates could be cut by 25bp or 50bp this month. Thanks to higher EURUSD, USDPLN fell below 3.53. We do not expect any breaking changes to take place today on the Polish FX market and EURPLN should stay in the 4.23-4.265 range.

### ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40  
 email: [ekonomia@bzwbk.pl](mailto:ekonomia@bzwbk.pl) Web site: [skarb.bzwbk.pl](http://skarb.bzwbk.pl)  
 Piotr Bielski +48 22 534 18 87  
 Marcin Luziński +48 22 534 18 85  
 Grzegorz Ogonek +48 22 534 19 23  
 Konrad Soszyński +48 22 534 18 86  
 Marcin Sulewski +48 22 534 18 84

### TREASURY SERVICES:

Poznań +48 61 856 5814/30  
 Warszawa +48 22 586 8320/38  
 Wrocław +48 71 369 9400

## FX market

## Today's opening

EURPLN	4.2514	CZKPLN	0.1629
USDPLN	3.5278	HUFPLN*	1.3901
EURUSD	1.2051	RUBPLN	0.0618
CHFPLN	3.7282	NOKPLN	0.4568
GBPPLN	4.6311	DKKPLN	0.5714
USDCNY	6.4512	SEKPLN	0.4454

\*for 100HUF

## Last session in the FX market

07/09/2017

	min	max	open	close	fixing
EURPLN	4.239	4.260	4.251	4.255	4.2466
USDPLN	3.526	3.568	3.564	3.549	3.5511
EURUSD	1.191	1.206	1.193	1.199	-

## Interest rate market

07/09/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.63	-2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.46	-1	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.12	-2	23.03.2017	DS0727	3.568

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.76	-1	1.42	-1	-0.27	-1
2L	1.88	-1	1.51	-1	-0.20	-1
3L	1.98	-2	1.59	-2	-0.11	-2
4L	2.09	-2	1.66	-1	0.00	-2
5L	2.20	-3	1.72	-1	0.12	-4
8L	2.49	-4	1.92	-2	0.53	-2
10L	2.65	-4	2.02	-2	0.77	-2

## WIBOR rates

Term	%	Change (bps)
O/N	1.59	0
T/N	1.59	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	1.76	-1
9x12	1.79	-1
3x9	1.83	0
6x12	1.83	-1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.83	-1
France	21	0	0.31	0
Hungary	116	1	2.58	0
Spain	66	-1	1.19	1
Italy	142	-1	1.62	1
Portugal	156	-1	2.43	1
Ireland	32	-1	0.32	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

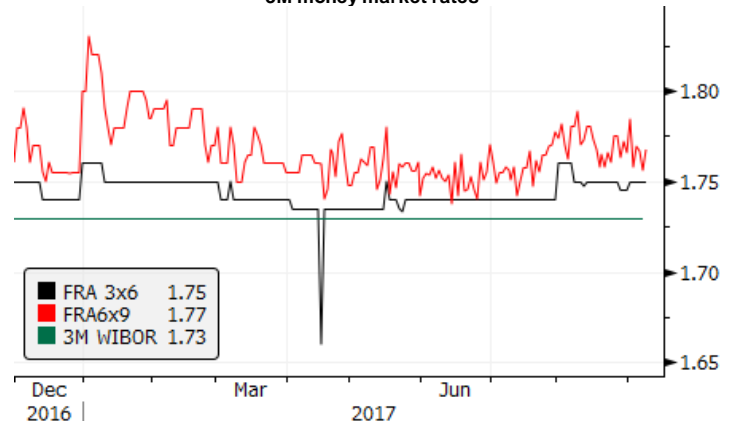
## Zloty exchange rate



## 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 (1 September)								
3:45	CN	PMI – manufacturing	Aug	pts	51.0	-	51.6	51.1
9:00	PL	PMI – manufacturing	Aug	pts	53.0	54.0	52.5	52.3
9:00	CZ	Preliminary GDP	Q2	% y/y	4.5	-	4.7	3.0
9:55	DE	PMI – manufacturing	Aug	pts	59.4	-	59.3	58.1
10:00	EZ	PMI – manufacturing	Aug	pts	57.4	-	57.4	56.6
14:30	US	Non-farm payrolls	Aug	k	180	-	156	189
14:30	US	Unemployment rate	Aug	%	4.3	-	4.4	4.3
16:00	US	ISM – manufacturing	Aug	pts	56.4	-	58.8	56.3
16:00	US	Michigan index	Aug	pts	97.3	-	96.8	93.4
MONDAY (4 September)								
No important data releases								
TUESDAY (5 September)								
9:00	HU	GDP	Q2	% y/y	3.2	-	3.2	4.2
9:55	GE	PMI – services	Aug	pts	53.4	-	53.5	53.1
10:00	EZ	PMI – services	Aug	pts	54.9	-	54.7	55.4
16:00	US	Industrial orders	Jul	% m/m	-3.3	-	-3.3	3.0
WEDNESDAY (6 September)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
8:00	GE	Industrial orders	Jul	% m/m	0.3	-	-0.7	0.9
9:00	CZ	Industrial output	Jul	% y/y	6.7	-	3.3	3.0
16:00	US	ISM – services	Aug	pts	55.1	-	55.3	53.9
20:00	US	Fed Beige Book						
THURSDAY (7 September)								
8:00	GE	Industrial output	Jul	% m/m	0.5	-	0.0	-1.1
13:45	EZ	ECB decision		%	0.0	-	0.0	0.0
14:30	US	Initial jobless claims	week	k	245	-	298	236
FRIDAY (8 September)								
	PL	Poland rating review by Moody's						
8:00	GE	Exports	Jul	% m/m	1.3	-	0.2	-2.7
9:00	HU	CPI	Aug	% y/y	2.5	-		2.1

Source: BZ WBK, Reuters, Bloomberg

\* in case of the revision the data is updated

This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>.