

# EYEOPENER

25 September 2017

## Germany and Korea in the spotlight

- **Calm end of the week despite robust European data**
- **Merkel wins but will likely change coalition partner**
- **Zloty and its CEE peers gain, no big changes of EURUSD**
- **Polish and global bonds slightly down**
- **Today president Duda will present his court bills drafts, in the afternoon watch for US data**

There were no major changes on the global market at the end of the week. Stock indices remained roughly at the level of the Thursday's closing, only slight changes were also witnessed in the case of bonds. Flash September PMI indices for industry and services for Germany, France and the euro zone surprised well to the upside but failed to trigger any sustainable moves. The index for German industry saw its highest since April 2011 and for the euro zone since February 2011. CEE currencies were gaining thanks to good macro data (the zloty), rising commodity prices (the ruble) and expectations of rate hikes (koruna).

Based on still unofficial results, Angela Merkel's CDU/CSU won 32.5% of votes in the parliamentary elections on Sunday, while her to-date coalition partner, SPD, won 20%. After announcing the exit poll results, the head of the SPD parliamentary club, Thomas Oppermann, said that his party was moving to the opposition. There are all indications that Angela Merkel will try to form a coalition with the FDP and the Greens. We are facing a period of uncertainty as to how the new German government will look like and the time of its forming. This may limit the potential for further rapid appreciation of the euro.

Additional uncertainty on the global market can be triggered by the weekend's verbal barbs traded between Donald Trump and Ri Jong Ho. North Korea's Foreign Minister said North Korea's missile visit to the United States was "inevitable"; the US leader answer to that was that the North Korean government "may not be around much longer". At the opening, European stock indices are falling, but so far the scale of changes is negligible.

EURUSD stabilised after Thursday rises. At the end of the Polish session the exchange rate was close to 1.197, but then declined to 1.192 during the US trading hours. Result of the German elections and rising tension between the US and North Korea did not affect the exchange rate and today in the

morning it is close to 1.192. This week a bunch of important US data are due for release, with the first delivery today. As we wrote last week, EURUSD remains in 1.182-1.21 range valid since end of August and is waiting for an impulse that could push the exchange rate out of the range.

EURPLN and USDPLN continued to decline and at the end of the week reached 4.26 and 3.56, respectively. The other CEE currencies also appreciated – EURCZK dropped below 26.04 as investors expect the Czech central bank to raise rates for the second time this year on Wednesday. USDRUB came down to 57.56 from almost 58 thanks to an oil price rebound. The forint was a bit behind, still feeling the negative effect of the dovish stance of its central bank. This morning EURPLN is close to 4.27, slightly above the Friday close. Lack of negative reaction to the hawkish signal from FOMC and the tensions between USA and North Korea suggests that for the time being positive internal factors will be more important (fiscal performance, macro data). We assume that in the coming days EURPLN could head for 4.23, but it would have to break the 4.255 support first.

On the domestic market IRS rates ended the week close to the levels from Thursday, while bond yields dropped significantly. Small changes were recorded in most core and Euro zone periphery markets.

MPC's Rafał Sura said on Friday in an interview with Reuters that NBP rates may remain unchanged in 2018, should no external shocks emerge and central bank forecasts do not show inflation will rise noticeably. According to Sura, current labour market tensions are no argument to hike rates in the upcoming quarters, but monetary tightening is likely to be considered in case of rising wage pressure. Sura assumes wage growth to stay close to 7% in the months to come and to ease in 2018. We expect a further fast rise in wages in 2018, which may come as a surprise for most MPC members and fuel discussion on rate hikes.

Monetary policy guidelines released by the NBP on Friday show no important changes versus the previous years.

According to 'Parkiet' and 'Dziennik Gazeta Prawna' dailies, the government will not deal with changes in OFE in the nearest future.

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## FX market

## Today's opening

EURPLN	4.2713	CZKPLN	0.1640
USDPLN	3.5826	HUFPLN*	1.3784
EURUSD	1.1922	RUBPLN	0.0622
CHFPLN	3.6912	NOKPLN	0.4584
GBPPLN	4.8594	DKKPLN	0.5741
USDCNY	6.6077	SEKPLN	0.4479

\*for 100HUF

## Last session in the FX market

22/09/2017

	min	max	open	close	fixing
EURPLN	4.261	4.280	4.276	4.266	4.2746
USDPLN	3.558	3.585	3.584	3.570	3.5651
EURUSD	1.193	1.200	1.193	1.195	-

## Interest rate market

22/09/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.77	-1	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.66	-4	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.33	-4	23.03.2017	DS0727	3.568

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.80	0	1.55	0	-0.25	0
2L	1.97	0	1.71	1	-0.17	0
3L	2.10	-1	1.81	1	-0.04	0
4L	2.25	-2	1.89	0	0.10	0
5L	2.38	-2	1.96	0	0.24	0
8L	2.68	-2	2.14	0	0.65	0
10L	2.84	-2	2.23	0	0.88	-1

## WIBOR rates

Term	%	Change (bps)
O/N	1.58	2
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	1.73	0
3x6	1.75	0
6x9	1.81	2
9x12	1.85	2
3x9	1.84	1
6x12	1.88	1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.88	-4
France	21	0	0.29	0
Hungary	116	1	2.05	-1
Spain	62	0	1.19	2
Italy	143	0	1.68	2
Portugal	130	0	1.98	2
Ireland	32	-1	0.29	0
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

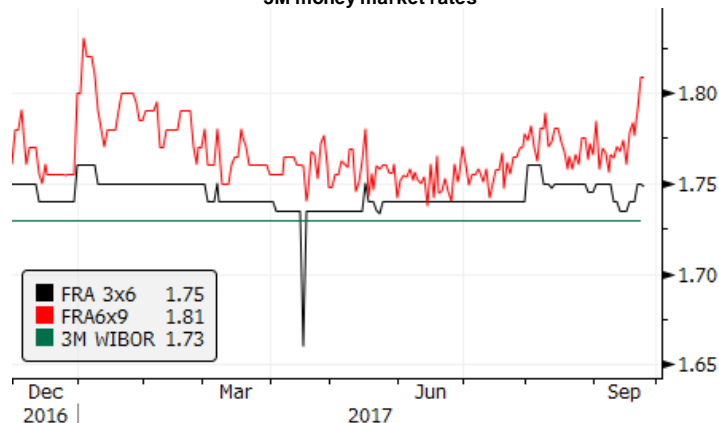
## Zloty exchange rate



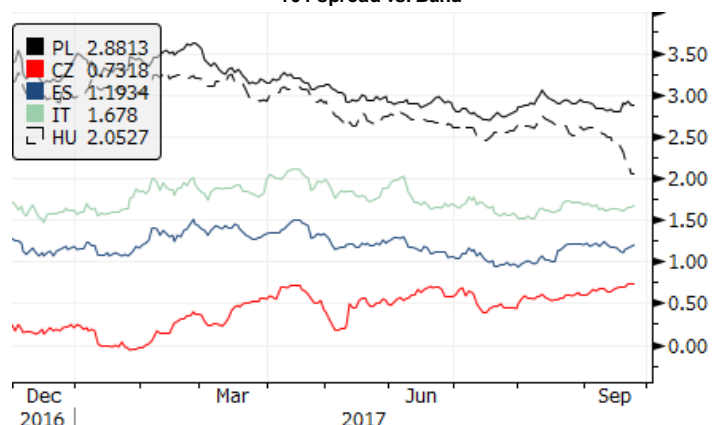
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
FRIDAY (22 September)								
9:30	DE	Flash PMI – manufacturing	Sep	pts	59.0	-	60.6	59.3
9:30	DE	Flash PMI – services	Sep	pts	53.7	-	55.6	53.5
10:00	EZ	Flash PMI – manufacturing	Sep	pts	57.2	-	58.2	57.4
10:00	EZ	Flash PMI – services	Sep	pts	54.8	-	55.6	54.7
10:00	PL	Unemployment rate	Aug	%	7.0	7.0	7.0	7.1
14:00	PL	Money supply	Aug	% y/y	5.2	5.3	5.5	5.0
MONDAY (25 September)								
10:00	DE	Ifo index	Sep	pts	115.9	-		115.9
16:30	US	Dallas Fed index	Sep	pts	13.0	-		17.0
TUESDAY (26 September)								
16:00	US	New home sales	Aug	% m/m	3.3	-		-9.4
16:00	US	Consumer confidence	Sep	pts	119.5	-		122.9
WEDNESDAY (27 September)								
13:00	CZ	Czech central bank decision		%	0.25	-		0.25
14:30	US	Durable goods orders	Aug	% m/m	0.9	-		-6.8
16:00	US	Pending home sales	Aug	% m/m	-0.3	-		-0.8
THURSDAY (28 September)								
14:00	DE	Flash CPI	Sep	% y/y	1.8			1.8
14:30	US	GDP	2Q	% q/q	3.1	-		3.0
14:30	US	Initial jobless claims	week	k	-	-		259
FRIDAY (29 September)								
11:00	EZ	Flash CPI	Sep	% y/y	1.6	-		1.5
14:00	PL	Flash CPI	Sep	% y/y	2.0	1.9		1.8
14:30	US	Consumer spending	Aug	% m/m	0.1	-		0.3
14:30	US	Personal income	Aug	% m/m	0.3	-		0.4
15:45	US	Chicago PMI index	Sep	pts	57.5	-		58.9
16:00	US	Michigan index	Sep	pts	95.2	-		95.3

Source: BZ WBK, Reuters, Bloomberg

\* in case of the revision the data is updated

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