

# EYEOPENER

28 September 2017

## T-bonds follow core markets

- **Durable goods orders in the US surprised to the upside**
- **Uncertain political situation and positive data on durable good orders triggered CEE currencies sell-off**
- **Yields rose fueled by worries about rate hikes in the US**

Positive data on durable goods orders in the USA, worries about rate hikes and rising political risk in Europe after elections in Germany and France were negative for the debt markets and CEE FX markets.

Durable goods orders surprised to the upside with 1.7% m/m. Capital goods orders ex defense sector and civilian aircrafts rose by 0.9% m/m after a strong July (revised upwards to 1.1% m/m). Annual growth of capital goods reached 6.5%, the best result since 2014. Flash data on durable goods show that investment in Q3 may be following the positive trend from the previous quarters. Market expectations as well as regional Fed's live forecasts of GDP growth in Q3 were going down so far in September, and these numbers are likely to reverse this tendency.

Wednesday was marked by sell-off on the T-bond market. This development was triggered by Tuesday evening comment of Janet Yellen, who stated that interest rates still need to go up despite uncertain inflation outlook. This caused a sell-off of German and US treasury papers. Some additional fuel was delivered by US durable goods orders. As a result, the US curve shifted up by 6bps in 5-10Y segment and 3bps in 2Y segment. The German curve followed this trend after durable goods orders, and at Wednesday close it was 5bps higher than on Tuesday in 10Y tenor and 2-3bps higher in 2-5Y segment. Correction in yields took place despite positive data on loan growth in the Euro zone, as uncertain political situation in Europe after election in Germany and France came to the fore.

Domestic debt market followed core markets, but the scale of changes was smaller than in the USA and Germany. The local volatility was also much smaller. As a result the Polish yield curve moved 5bp higher in the long end while short end and belly went 3bp higher. Asset swap spreads were stable, apart

from the short end which bounced back to -25bp from -27bp, the lowest level since 2012.

In our view domestic debt market should stabilize on Thursday. European sentiment indicators due today should not affect bond market pricing. Flash CPI from Germany, US labour market data and final 2Q GDP print should also prove neutral. In the longer term we see a downside risk to yields based on political uncertainty after German and French elections.

For the better part of Wednesday's session we saw dollar appreciating which was fueled by Fed's Yellen hinting more hikes are on the agenda, robust US data and political uncertainty in Europe. As a result, EURUSD fell to 1.174 from 1.18.

In the case of the zloty and the other CEE currencies we observed depreciation that was driven by rising concerns about looming Fed rate hikes and political uncertainty after the German and French elections. As a result, EURPLN rose to 4.315 from 4.29 and USDPLN jumped to 3.667 from 3.635 while the intraday peak was 3.682. The forint depreciated temporarily vs the euro and at the end of the day EURHUF remained fairly unchanged at 311.4, its highest since May. Czech koruna performed similarly like the forint and at the end of the day it gained slightly to 26.02 per euro. EURCZK ended the day lower despite no rate hike in Czechia. USDRUB rose to 58.1 from 57.8 nearing the September peak. In our view, this was driven by political uncertainty in Europe, looming rate hikes in the US, lower oil prices while the Russian central bank mentioned local factors.

We expect EURPLN could remain stable today as investors should again focus on the economic activity data. Later on, we see higher risk for weaker zloty amid higher political risk in Europe.

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## FX market

## Today's opening

EURPLN	4.3272	CZKPLN	0.1663
USDPLN	3.6815	HUFPLN*	1.3875
EURUSD	1.1754	RUBPLN	0.0630
CHFPLN	3.7814	NOKPLN	0.4624
GBPPLN	4.9310	DKKPLN	0.5815
USDCNY	6.6660	SEKPLN	0.4517

\*for 100HUF

## Last session in the FX market

27/09/2017

	min	max	open	close	fixing
EURPLN	4.284	4.320	4.291	4.315	4.3012
USDPLN	3.631	3.684	3.642	3.672	3.665
EURUSD	1.172	1.181	1.178	1.175	-

## Interest rate market

27/09/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.72	2	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.70	4	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.40	5	23.03.2017	DS0727	3.568

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.79	0	1.57	1	-0.26	0
2L	1.96	0	1.73	2	-0.17	1
3L	2.11	2	1.83	3	-0.04	1
4L	2.26	3	1.91	4	0.10	2
5L	2.40	4	1.98	4	0.24	3
8L	2.70	4	2.17	5	0.66	4
10L	2.87	5	2.26	6	0.90	5

## WIBOR rates

Term	%	Change (bps)
O/N	2.09	6
T/N	2.06	10
SW	1.61	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	1.80	0
9x12	1.86	1
3x9	1.85	0
6x12	1.89	1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.89	1
France	21	0	0.30	0
Hungary	116	1	2.08	-1
Spain	62	-1	1.16	-1
Italy	141	-3	1.67	-1
Portugal	129	-2	1.96	-2
Ireland	32	-1	0.30	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

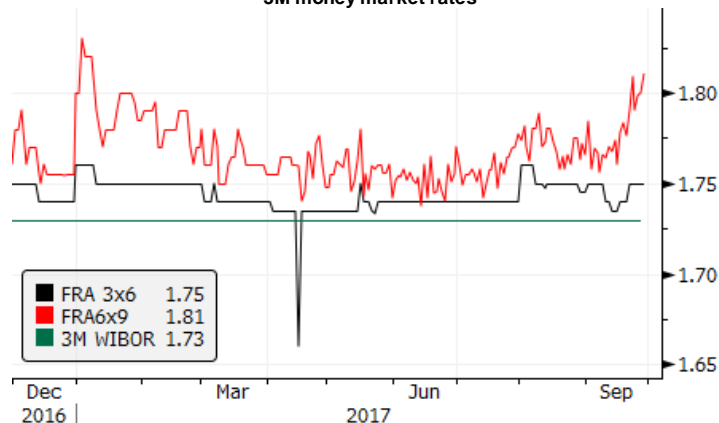
## Zloty exchange rate



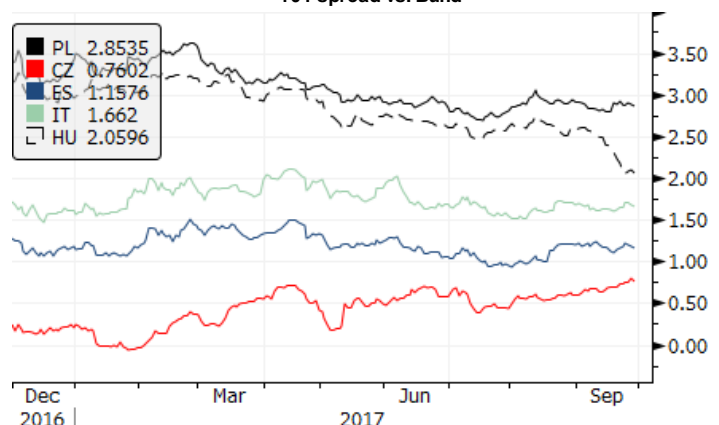
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

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	-	115.2	115.9
16:30	US	Dallas Fed index	Sep	pts	13.0	-	21.3	17.0
TUESDAY (26 September)								
16:00	US	New home sales	Aug	% m/m	2.9	-	-3.4	-9.4
16:00	US	Consumer confidence	Sep	pts	120	-	119.8	122.9
WEDNESDAY (27 September)								
13:00	CZ	Czech central bank decision		%	0.25	-	0,25	0.25
14:30	US	Durable goods orders	Aug	% m/m	1.0	-	1.0	-6.8
16:00	US	Pending home sales	Aug	% m/m	-0.5	-	-2.6	-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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