

# EYEOPENER

29 September 2017

## Zloty and its CEE peers recover

- **Markets calmer, US GDP data above forecasts**
- **Zloty and other CEE currencies recover, EURUSD up**
- **Polish debt stable, core bonds under slight pressure**
- **Today flash Poland and euro zone inflation data and more releases from US**

On Thursday the markets calmed a bit. CEE currencies were recovering after the Wednesday sell-off and the dollar gave up some of the gains vs other major currencies. Core market yields rose further but at a slower pace compared to Wednesday. Weekly labour market data from the US were slightly worse than expected (initial jobless claims were above consensus) but final 2Q GDP reading surprised to the upside. In general, the data were mixed and triggered partial profit taking from the recent appreciation of the US currency. ECB's chief economist Peter Praet said yesterday that in October the central bank will decide on adjustment of the monetary support for the Euro zone economy and not on the termination date of the QE programme. This is another comment from the ECB that the it will not be in a hurry when normalizing monetary policy. Praet's words did not influence the euro yesterday.

EURUSD rebounded yesterday to 1.18 from 1.172 after three days of declines which brought it to the lowest level since the mid-August. The US data were fine but not strong enough to make the dollar appreciate some more. The growing probability, implied by the market pricing, that Fed policy rate will go up by 25bp in December has positively affected the dollar in the recent days. Today we will learn many publications from the US which could tip the scales for the EURUSD as it heads towards the end of the week.

Yesterday EURPLN has stabilised close to 4.31 after fast upward move to 4.33 (the highest level since beginning of July). USDPLN decreased to 3.656 from 3.70. Other CEE currencies recovered, the smallest move was registered by Czech koruna. USDRUB was a beneficiary of oil prices rise, while EURHUF has stabilized after three days of increase. In our opinion, yesterday EURPLN peak is a first important resistance (at that level the current upside wave is equal to previous upside impulses seen in June and July/August) which if broken, opens door for further zloty's depreciation. We assume that the global market will stabilize soon and positive fundamentals of Polish economy will encourage investors to utilize recent zloty's depreciation to purchase Polish currency.

On Thursday, bond yields and IRS rates ended the day close to Wednesday levels. Bunds and UST were still losing but less

than one day earlier (at the close of the session 10Y yields were by mere 2bp higher, intraday moves were a bit bigger). Today a lot of US data are on the schedule, and these are likely to affect core markets. Markets are not fully pricing-in the December hike, so positive surprises in the US data are likely to fuel further rises of yields globally. Polish IRS trimmed their falls from Monday and are close to local resistance levels that could be tested soon, in our view. Data on September inflation will not be important for markets, in our view.

Today at 15:00CET the Finance Ministry will publish debt supply plan for October and breakdown of Polish bond holders at the end of August.

Flash inflation is due for release today at 14:00CET. Inflation might have crept from 1.8% y/y to 1.9% y/y in September. Still, this rise would be based on non-core items plus a base effect in health-related prices. That would be the strongest print since April, but in our view inflation will struggle to get any higher from 2% until at least March.

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## FX market

## Today's opening

EURPLN	4.3076	CZKPLN	0.1655
USDPLN	3.6532	HUFPLN*	1.3855
EURUSD	1.1791	RUBPLN	0.0630
CHFPLN	3.7622	NOKPLN	0.4597
GBPPLN	4.9028	DKKPLN	0.5789
USDCNY	6.6665	SEKPLN	0.4505

\*for 100HUF

## Last session in the FX market

28/09/2017

	min	max	open	close	fixing
EURPLN	4.306	4.332	4.315	4.316	4.3166
USDPLN	3.651	3.695	3.672	3.662	3.6682
EURUSD	1.172	1.180	1.175	1.178	-

## Interest rate market

28/09/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.69	0	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.67	1	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.35	1	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	1.56	-1	-0.26	0
2L	1.98	1	1.71	-2	-0.16	1
3L	2.12	2	1.82	-1	-0.04	1
4L	2.28	2	1.90	-1	0.10	0
5L	2.42	2	1.98	0	0.25	1
8L	2.74	3	2.18	1	0.67	1
10L	2.90	3	2.28	2	0.92	2

## WIBOR rates

Term	%	Change (bps)
O/N	2.17	8
T/N	1.78	-28
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	1.79	-1
9x12	1.86	0
3x9	1.85	0
6x12	1.89	0

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.88	1
France	20	0	0.29	0
Hungary	116	1	2.11	0
Spain	62	0	1.15	0
Italy	139	-2	1.64	0
Portugal	128	-1	1.92	0
Ireland	32	-1	0.27	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

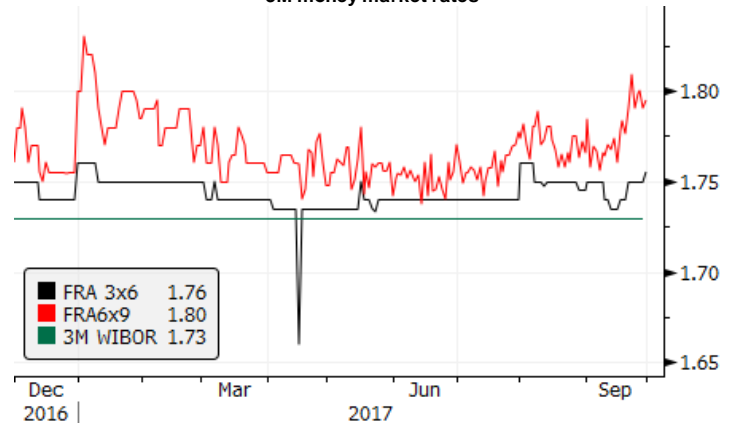
## Zloty exchange rate



## 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	-	115.2	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	1.8	
14:30	US	GDP	2Q	% q/q	3.1	-	3.1	3.0	
14:30	US	Initial jobless claims	week	k	-	-	272	260	
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	0.2	-		0.4	
15:45	US	Chicago PMI index	Sep	pts	58.7	-		58.9	
16:00	US	Michigan index	Sep	pts	95.3	-		95.3	

Source: BZ WBK, Reuters, Bloomberg

\* in case of the revision the data is updated

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