

# EYEOPENER

4 October 2017

## MPC unlikely to change its stance

- **Calm Tuesday in the global market**
- **Zloty and other CEE currencies quite stable, EURUSD slightly higher**
- **Bond yields rose slightly**
- **Today, MPC decision and important US data**

The Tuesday session on the global market was quieter than on Monday. European stock indices did not change much, the CEE currencies remained relatively stable, the euro was making up for the losses against the dollar while the yields on the core markets and euro zone peripheries were inching up slightly. Yesterday, there were no important new data releases which supported the stabilisation of quotations while waiting for important US readings scheduled for the following days of the week. Already this afternoon we will get ADP's September national employment report for the US market which will indicate the impact of the recent hurricanes on the pace of gobs growth in the US.

EURUSD rate rebounded yesterday from 1.17 to 1.176 as a result of profit taking after Monday's move in the opposite direction. The weakening of the dollar could have also been affected by the information on the upcoming change of the Fed's Chair. According to Bloomberg, a list of candidates for that role, presented to President Trump by his aids, indicates that dovish Kevin Warsh is not necessarily the favourite; the radar is on a few other candidates prophesying views close to those advocated by Janet Yellen, whilst her reappointment is not entirely ruled out. There was clearly less volatility in exchange rates than during the first session this week, but today it may increase again. This is so as the ADP report for the US labour market will be released. The consensus is very low, driven most likely by the assumption that hurricanes disrupted the jobs growth. In our opinion, weak data should be ignored (treated as temporary panting) and only strong readings could have a significant impact on the quotations.

Yesterday EURPLN remained close to 4.31, while USDPLN dropped to 3.66 from 3.685 owing to EURUSD rise. The rest of CEE currencies didn't change substantially – EURHUF stayed below 312, EURCZK anchored at 25.93, while USDRUB remained close to 57.94. Despite of positive mood on the global

markets EURPLN stayed at the higher levels. In our opinion it was the dollar appreciation that prevented the zloty to benefit from higher global risk appetite. From this point of view the upcoming US data releases could negatively affect the zloty if they are above the market forecasts.

On the domestic debt market IRS rates and sovereign debt yields rose by 1-3bp following the core debt markets and stayed under the pressure the positive mood on the stock markets. In our opinion the MPC decision which is due today (see more details below) will likely be ignored by domestic debt market. We thinking market players will be focused on the US data scheduled for this week.

The Ministry Finance informed that at tomorrow's bond switching auction it will offer OK0419, WZ1122, PS0123, WZ0126 and DS0727. According to the ministry, at the end of August OK0419, WZ1122 and WZ0126 were mostly held by Polish banks (45%, 59% and 57%, respectively), while DS0727 by foreign investors (69%).

Today the MPC will announce its decision on interest rates. Chances for a rate hike at this meeting are close to zero, in our view, and the monetary policy guidelines for 2018 released last week did not change significantly. Statement and press conference after the meeting could theoretically be somewhat more interesting. Last month the MPC members seemed convinced that situation on the labour market does not generate any concerns, economic growth is balanced and wage pressure should not intensify. However, recently we have witnessed growing number of signals suggesting that the shortage of labour is a growing problem for enterprises, which could lead to acceleration of wage growth and also to heightened inflationary pressure. Moreover, the last reading of CPI (flash estimate for September) was a big positive surprise (2.2% y/y instead of expected 2.0%) and actually we are already just a step away from the inflation target (2.5% y/y). Nevertheless, it seems that this is not enough to expect a substantial change in the stance of the MPC. The tone of the statement will probably remain dovish and the NBP Governor is likely going to repeat that in his view interest rates may remain stable until the end of 2018. We continue to see the first rate hike coming in 4Q18.

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## FX market

## Today's opening

EURPLN	4.3068	CZKPLN	0.1662
USDPLN	3.6599	HUFPLN*	1.3825
EURUSD	1.1768	RUBPLN	0.0634
CHFPLN	3.7635	NOKPLN	0.4598
GBPPLN	4.8564	DKKPLN	0.5787
USDCNY	6.6528	SEKPLN	0.4512

\*for 100HUF

## Last session in the FX market

03/10/2017

	min	max	open	close	fixing
EURPLN	4.306	4.321	4.320	4.313	4.3105
USDPLN	3.660	3.688	3.679	3.670	3.6737
EURUSD	1.170	1.177	1.174	1.175	-

## Interest rate market

03/10/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.72	-1	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.68	0	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.37	1	23.03.2017	DS0727	3.568

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.81	1	1.57	0	-0.26	0
2L	1.99	0	1.74	-1	-0.17	0
3L	2.15	0	1.84	-2	-0.05	0
4L	2.32	0	1.92	-2	0.10	0
5L	2.48	2	2.00	-2	0.25	0
8L	2.81	4	2.19	-1	0.67	0
10L	2.96	2	2.28	-1	0.91	0

## WIBOR rates

Term	%	Change (bps)
O/N	1.60	-2
T/N	1.61	-1
SW	1.60	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	1.82	1
9x12	1.87	1
3x9	1.83	1
6x12	1.89	1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.92	3
France	21	0	0.29	0
Hungary	116	1	2.20	2
Spain	69	2	1.27	2
Italy	141	0	1.71	1
Portugal	130	0	1.95	2
Ireland	32	-1	0.26	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

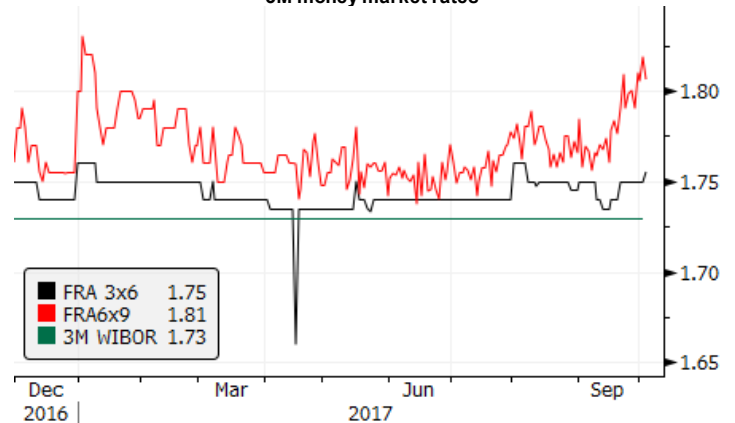
## Zloty exchange rate



## 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 (29 September)								
11:00	EZ	Flash CPI	Sep	% y/y	1.6	-	1.5	1.5
14:00	PL	Flash CPI	Sep	% y/y	2.0	1.9	2.2	1.8
14:30	US	Consumer spending	Aug	% m/m	0.1	-	0.1	0.3
14:30	US	Personal income	Aug	% m/m	0.3	-	0.2	0.4
15:45	US	Chicago PMI index	Sep	pts	57.5	-	65.2	58.9
16:00	US	Michigan index	Sep	pts	95.2	-	95.1	95.3
MONDAY (2 October)								
9:00	PL	PMI – manufacturing	Sep	pts	53.2	54.0	53.7	52.5
9:55	DE	PMI – manufacturing	Sep	pts	60.6	-	60.6	59.3
10:00	EZ	PMI – manufacturing	Sep	pts	58.2	-	58.1	57.4
16:00	US	ISM – manufacturing	Sep	pts	57.5	-	60.8	58.8
TUESDAY (3 October)								
9:00	CZ	GDP	Q2	% y/y	4.7	-	4.7	3.0
WEDNESDAY (4 October)								
	PL	MPC decision	Oct	%	1.50	1.50		1.50
9:55	DE	PMI – services	Sep	pts	55.6	-		53.5
10:00	EZ	PMI – services	Sep	pts	55.6	-		54.7
11:00	EZ	Retail sales	Aug	% m/m	0.3	-		-0.3
14:15	US	ADP report	Sep	k	138	-		237
16:00	US	ISM – services	Sep	pts	55.5	-		55.3
THURSDAY (5 October)								
14:30	US	Initial jobless claims	week	k	-	-		260
16:00	US	Industrial orders	Aug	% m/m	0.7	-		-3.3
FRIDAY (6 October)								
8:00	DE	Industrial orders	Aug	% m/m	0.7	-		-0.7
14:30	US	Non-farm payrolls	Sep	k	70	-		156
14:30	US	Unemployment rate	Sep	%	4.4	-		4.4

Source: BZ WBK, Reuters, Bloomberg

\* in case of the revision the data is updated

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