EYEOPENER

6 October 2017

Dollar stronger before employment data

- **Solid data from USA and Germany**
- **Zloty and other currencies in the region strong, dollar gained versus euro**
- **Calm session in the debt market, Ministry of Finance sold lots of bonds at the switching auction**
- **Today, monthly employment report from the USA**

Sentiment on the global market was slightly weaker than in the previous days of the week only at the beginning of Thursday's session. In Europe, stock indices quickly rose above the water without any negative impact on bonds, facilitating however the CEE currencies to maintain their recent gains. The stock markets in the US and Asia grew as well. The dollar strengthened vs the euro and made up for the Wednesday losses. The US data was slightly better than expected, which had a positive impact on the US currency. In addition, Philadelphia Fed's President, Patrick Harker, said yesterday that he still has "pencilled in" an interest rate hike in December, and three more rate hikes next year. The account of the ECB's latest meeting indicated that in September the European central bankers discussed the conditions of extending the asset purchase program beyond 2017 while limiting its scale. The ECB President said last month that in October the bank would present a plan of modifying its operational framework, but recent anonymous reports have suggested that it will take longer before this information is released. Data on German industrial orders released today in the morning were much better than expected (+3.6% m/m vs forecast 0.7%), supporting optimistic outlook for sustainable rapid economic growth in Europe.

EURUSD decreased yesterday to almost 1.17 from 1.178 thanks to stronger-than-expected data from the USA, among other factors. The scale of appreciation of the dollar was however relatively small and the EURUSD exchange rate remained above the Tuesday low situated just below 1.17. Only after the European close the pair moved slightly below 1.17. Today the key event will be the non-farm payrolls report in the USA. As we have written before, a positive surprise could prove to be a more market-moving outcome for the market than a negative surprise.

EURPLN remained yesterday slightly above the Wednesday low and oscillated around 4.30. At the same time USDPLN pushed to 3.67 from 3.65 on the back of the decline of EURUSD. Other CEE currencies performed well. The Czech koruna was still resting after its recent appreciation vs the euro, the rouble gained vs the dolar thanks to a rise of oil prices, while the forint strengthened temporarily below 311 to EUR.

Domestic interest rate market volatility was low. Yields and IRS did not change much despite a considerable strengthening in the Euro zone peripheries. Core markets were also stable, only UST weakened a bit. Today, US data will be in spotlight. A weak reading would most probably be ignored by the market, while a positive surprise could encourage investors to price-in Fed's rate hike by 25bps in December more aggressively.

The Finance Ministry sold bonds worth PLN6.8bn at the switch auction. OK019 yielded only PLN565mn, while other papers WZ1122, PS1023, WZ1026 and DS0727 about PLN1.4-1.9bn each. The Ministry informed that after this auction 2017 gross borrowing needs are covered in 86%. Next year's are covered in 9%.

Moody's analyst, Heiko Peters, said yesterday that risks for Polish "A2" rating are balanced. In his view, conflict between Polish government and the European Commission should not intensify.

Ministry of Labour said it estimates the registered unemployment rate fell to 6.9% in September after the number of unemployed fell by 18.7k m/m. This made us revise our forecast to 6.9% from 7.0%. We think the unemployment rate will reach 7.0% at the year-end.

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FX market

Today's opening

EURPLN	4.3058	CZKPLN	0.1667
USDPLN	3.6817	HUFPLN*	1.3812
EURUSD	1.1695	RUBPLN	0.0638
CHFPLN	3.7587	NOKPLN	0.4585
GBPPLN	4.8113	DKKPLN	0.5786
USDCNY	6.6528	SEKPLN	0.4518

*for 100HUF

Last session in the FX market 05/10/2017

	min	max	open	close	fixing
EURPLN	4.294	4.307	4.297	4.302	4.2985
USDPLN	3.650	3.678	3.653	3.674	3.6502
EURUSD	1.170	1.178	1.176	1.171	-

Interest rate market 05/10/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.70	-1	23.03.2017	OK0419	2.049
PS0422 (5Y)	2.70	2	23.03.2017	PS0422	2.945
DS0727 (10Y)	3.41	3	23.03.2017	DS0727	3.568

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.80	1	1.59	1	-0.26	0
2L	1.98	0	1.76	2	-0.17	0
3L	2.14	0	1.87	2	-0.04	0
4L	2.30	0	1.96	2	0.10	0
5L	2.45	0	2.03	2	0.24	0
8L	2.76	0	2.21	2	0.65	-1
10L	2.93	0	2.31	1	0.90	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.58	0
T/N	1.58	0
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	1.79	0
9x12	1.85	0
3x9	1.82	0
6x12	1.87	0

Measures of fiscal risk

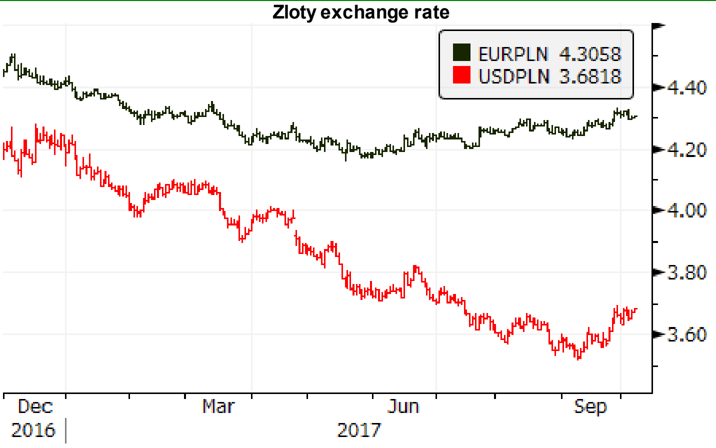
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.94	2
France	21	0	0.28	0
Hungary	116	1	2.21	-1
Spain	73	-2	1.23	-1
Italy	142	-1	1.68	-1
Portugal	132	-1	1.92	-1
Ireland	32	-1	0.25	0
Germany	12	0	-	-

* 10Y treasury bonds over 10Y Bunds

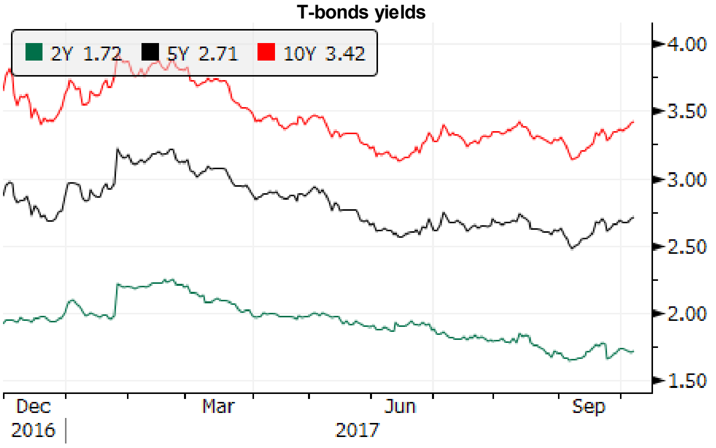
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

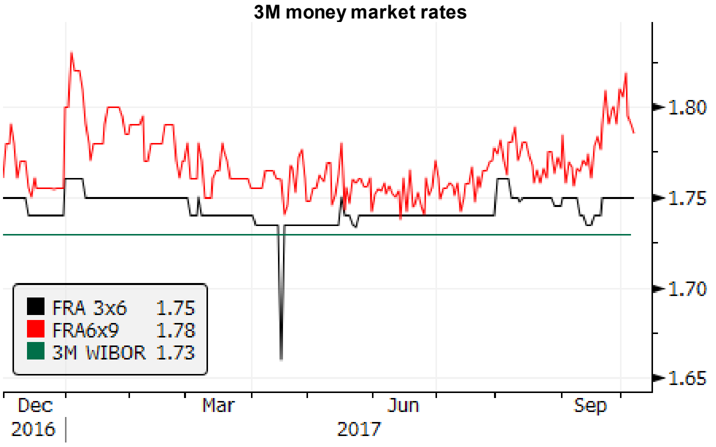
Zloty exchange rate



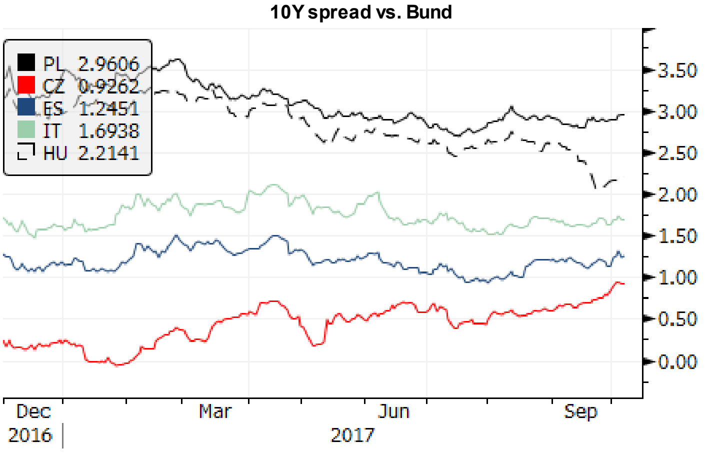
T-bonds yields



3M money market rates



10Y spread vs. Bund



Bank Zachodni WBK
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Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST BZWBK	ACTUAL VALUE	LAST VALUE*
		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**	**1.50**
9:55	DE	PMI – services	Sep	pts	55.6	-	55.6	53.5
10:00	EZ	PMI – services	Sep	pts	55.6	-	55.8	54.7
11:00	EZ	Retail sales	Aug	% m/m	0.3	-	-0.5	-0.3
14:15	US	ADP report	Sep	k	138	-	135	228
16:00	US	ISM – services	Sep	pts	55.5	-	59.8	55.3
		THURSDAY (5 October)						
11:00	**PL**	**Bond switch auction**						
14:30	US	Initial jobless claims	week	k	265	-	260	260
16:00	US	Industrial orders	Aug	% m/m	1.0	-	1.2	-3.3
		FRIDAY (6 October)						
8:00	DE	Industrial orders	Aug	% m/m	0.7	-	3.6	-0.7
14:30	US	Non-farm payrolls	Sep	k	80	-		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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