

EYEOPENER

11 October 2017

Quiet market supports zloty

- Global market still calm
- Zloty and other CEE currencies gain amid weaker dollar
- Today FOMC minutes

Wednesday's session on the global equity and bond markets was pretty calm which had a positive impact on the EM currencies. The zloty, forint and ruble gained as the dollar lost vs the euro, which was partly driven by the comment made by a member of the ECB's board of governors. Sabine Lautenschlaeger, who has opposed non-standard measures in the monetary policy, said that the central bank should scale back the bond purchases next year. It is also worth mentioning that the Catalan PM signed a declaration of independence, but suspended it as he seeks dialogue with Madrid on the region's future. The market read it a mitigant of risk that the tensions in Spain would intensify. Today no important events are on the agenda during the Polish session and only in the evening minutes from the last FOMC meeting will be released. It seems that the publication of this document will be irrelevant for the market. The statement from the September's meeting has already been interpreted as hawkish – as the declaration for one more rate hike this year was sustained – and the document is rather unlikely to provide any new information in this regard.

EURUSD rose for the third day in a row and was slightly above 1.18 at the end of the Polish session. Last week, the exchange rate neared the local bottom from August at c1.166 but there was no strong impulse that could push EURUSD below this level. Now we see some profit taking after recent strengthening of the dollar that yesterday was fuelled by the comment of the member of the ECB board. No important data are scheduled for today and so the calm upside trend might continue.

Both EURPLN and USDPLN fell yesterday to 4.285 and 3.63, respectively amid dollar's weakening seen on the global market. The Polish currency might have been positively influenced also by the comment of Polish MPC member (see below). In the case of the other CEE currencies, forint and ruble also gained while the koruna remained stable. No important data are due today so the session should be pretty calm again. Should this be the case, the zloty could gain vs the euro and the dollar.

On Tuesday, yields of the US treasuries fell marginally (despite the stock market rising), while Bunds remained stable amid lack of important news and data releases.

On the domestic market yields fell 3-5bp across the curve, fueled by strengthening US Treasuries and lack of important data

releases. We think that yesterday's domestic yield curve downshift was a part of recovery after the Friday sell-off. The IRS curve decreased only in the 5-10Y segment (less than the bond curve). The unexpectedly strong German export data was ignored by core and domestic market players.

Today we expect stabilisation of the core and domestic bond market owing to lack of important events and data releases during the European session. Only in the evening the FOMC minutes will be released. In the week-end horizon we forecast some upward shift in yields as a reaction for domestic inflation data which may show the higher share of core inflation in CPI growth.

MPC's Grażyna Ancyparowicz said yesterday that in her view interest rates „could remain unchanged until the mid-2018”. This is already the fourth member (after E.Gatnar, K.Zubelewicz and Ł.Hardt) suggesting that a rate hike is possible in 2018. We think that the changes on the labour market in the coming months will be a surprise to most of the members. The discussion about a change of monetary policy stance should become more colourful next year and we expect a 25bp hike to be delivered in 4Q18.

Yesterday the IMF released a report with higher GDP forecasts for Poland. GDP growth in 2017 was revised to 3.8% from 3.6% expected in July while for 2018 was left unchanged at 3.3%. Even after the revision, the IMF forecasts are conservative – consensus for 2017 is at 4% and for 2018 at 3.4%, according to Bloomberg, we forecast 4.2% and 3.8% respectively. The IMF also revised up its forecasts for the global economy for this and next year – by 0.1pp to 3.6% and 3.7%.

ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40
 email: ekonomia@bzwbk.pl Web site: skarb.bzwbk.pl
 Piotr Bielski +48 22 534 18 87
 Marcin Luzziński +48 22 534 18 85
 Grzegorz Ogonek +48 22 534 19 23
 Konrad Soszyński +48 22 534 18 86
 Marcin Sulewski +48 22 534 18 84

TREASURY SERVICES:

Poznań +48 61 856 5814/30
 Warszawa +48 22 586 8320/38
 Wrocław +48 71 369 9400

FX market

Today's opening

EURPLN	4.2929	CZKPLN	0.1659
USDPLN	3.6302	HUFPLN*	1.3816
EURUSD	1.1825	RUBPLN	0.0627
CHFPLN	3.7231	NOKPLN	0.4574
GBPPLN	4.7913	DKKPLN	0.5768
USDCNY	6.5784	SEKPLN	0.4505

*for 100HUF

Last session in the FX market

10/10/2017

	min	max	open	close	fixing
EURPLN	4.285	4.306	4.306	4.288	4.2952
USDPLN	3.629	3.668	3.665	3.633	3.6468
EURUSD	1.174	1.182	1.175	1.180	-

Interest rate market

10/10/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.74	-2	09.06.2017	OK0419	1.859
PS0422 (5Y)	2.73	-4	09.06.2017	PS0422	2.587
DS0727 (10Y)	3.46	-2	09.06.2017	DS0727	3.128

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.80	-1	1.60	-1	-0.26	0
2L	2.01	-2	1.77	-2	-0.17	0
3L	2.17	-2	1.87	-2	-0.05	0
4L	2.34	-4	1.95	-2	0.10	0
5L	2.50	-3	2.02	-2	0.24	0
8L	2.83	-2	2.20	-2	0.66	1
10L	2.99	-3	2.29	-2	0.89	0

WIBOR rates

Term	%	Change (bps)
O/N	1.57	-1
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	1.76	0
6x9	1.80	-3
9x12	1.88	-2
3x9	1.84	-1
6x12	1.89	-2

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	3.00	-4
France	21	0	0.42	15
Hungary	116	1	2.25	-2
Spain	70	1	1.18	-7
Italy	142	1	1.70	2
Portugal	122	-1	1.89	-4
Ireland	32	-1	0.22	-2
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

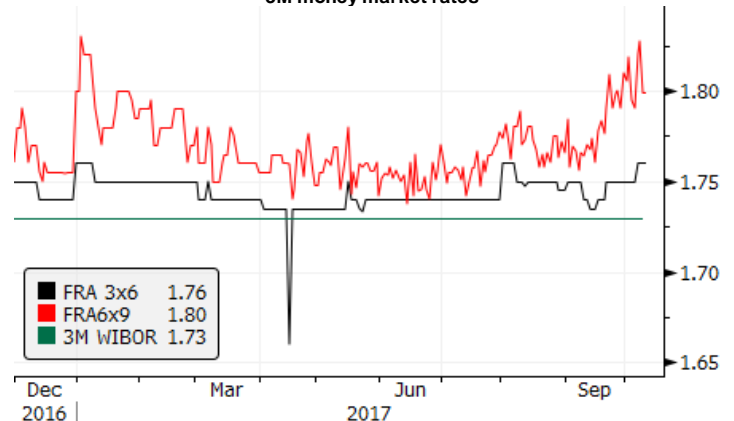
Zloty exchange rate



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 (6 October)								
8:00	DE	Industrial Orders	Aug	% m/m	4.7	-	7.8	5
13:30	US	Change in Nonfarm Payrolls	Sep	K	80	-	-33	156
13:30	US	Unemployment Rate	Sep	%	4.4	-	4.2	4.4
MONDAY (9 October)								
8:00	DE	Industrial output	Aug	% m/m	0.8	-	2.6	0.0
9:00	CZ	Industrial output	Aug	% y/y	4.2	-	5.8	3.3
9:00	CZ	CPI	Sep	% y/y	2.7	-	2.7	2.5
TUESDAY (10 October)								
8:00	DE	Exports	Aug	% m/m	1.0	-	3.1	0.2
9:00	HU	CPI	Sep	% y/y	2.7	-	2.5	2.6
WEDNESDAY (11 October)								
20:00	US	FOMC minutes						
THURSDAY (12 October)								
11:00	EZ	Industrial output	Aug	% m/m	0.5	-		0.1
14:00	PL	CPI	Sep	% y/y	2.2	2.2		1.8
14:30	US	Initial jobless claims	week	k	-	-		260
FRIDAY (13 October)								
14:00	PL	Core inflation	Sep	% y/y	0.9	1.0		0.7
14:30	US	CPI	Sep	% m/m	0.6	-		0.4
14:30	US	Retail sales	Sep	% m/m	1.6	-		-0.2
16:00	US	Flash Michigan	Oct	pts	95.0	-		95.1

Source: BZ WBK. Reuters. Bloomberg

* in case of the revision the data is updated

This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Financial Management Division. Economic Analysis Department. al. Jana Pawła II 17. 00-854 Warsaw. Poland. phone +48 22 534 18 87. email ekonomia@bzwbk.pl. http://www.bzwbk.pl.