

# EYEOPENER

19 October 2017

## Cold September heated up retail sales

- Global markets in positive mood
- Solid data from the Polish economy
- Zloty kept its gains, EURUSD with no major changes
- Yields globally up
- Today MPC minutes and US data

On Wednesday the global markets remained in positive mood. Europe stock indices rose, bonds felt some selling pressure, and the CEE currencies were relatively stable. The US data on building permits and house starts came clearly worse than expected, but this neither helped the euro secure gains vs. the dollar nor strengthened bonds. Chinese data were in line with expectations – 3Q GDP growth was at 6.8% y/y and September industrial output rose by 6.6% y/y.

Catalonia PM Carles Puigdemont said he will declare independence of the region if Spain suspends its autonomy. Earlier the government in Madrid explained it will take control of Catalonia if the local government does not drop its plan to announce independence. Further development of the conflict in Spain can have negative effect on market sentiment, especially on the euro.

Industrial output disappointed, rising 4.3% y/y in September vs an impressive 8.8% y/y in August and vs market consensus at 5.2% and our forecast at 6.1%. In our view, this deceleration does not signal any deterioration of the economic situation. First, we had a negative working day effect. Second, there were some one-off effects – in August, headline growth was boosted by unusually strong performance in “electricity, gas, steam and air conditioning supply” and high base from September 2016 in mining. Construction and assembly production was close to expectations and rose by 15.5% y/y (our forecast: 16.6% y/y, market consensus: 18.4% y/y). Production increased in all three main sectors. The fastest growth was observed in civil engineering (21.8% y/y). Retail sales growth surprised to the upside in September, accelerating from 6.9% y/y to 7.5% in real terms. There was a significant positive weather effect behind this acceleration, boosting demand for warmer clothes and shoes. In general, September data supported our forecast of some acceleration in GDP growth in Q3 and results above 4.0% y/y.

Index of consumer sentiment covering current situation declined in October to 4.6 from 5.0 pts while the index of expectations rose to 1.6 from 0.8 pts. Assessment of general economic situation and ability to save money improved, but measures of satisfaction with financial situation of household worsened, as did components of consumer confidence describing unemployment and willingness to make significant purchases. In general, consumer indices remain close to historical tops, which bodes well for private consumption.

EURUSD declined yesterday in the first part of the session to c.1.173, and in reaction to weaker than expected US data rebounded to c.1.178. In a broader context, the rate still hovers slightly above the local bottom at 1.166. Today in the evening there will be new data releases in the USA that may have the short-term impact on the EURUSD.

EURPLN stabilized just above the local bottom at 4.22 while USDPLN eased to 3.59 from 3.605. Polish data did not have much impact on the zloty. The other CEE currencies also did not move much. EURHUF stayed fairly stable near 308, EURCZK fell only temporarily while USDRUB rose slightly. EURPLN fell below 4.23 but so far this was not a trigger for further zloty's appreciation. US data and Polish rating review by the S&P is on the agenda until the end of the week. Recent weeks saw a positive news-flow related to Polish economy and we think that a stronger impulse is needed so that the zloty could continue its appreciation trend.

On the domestic interest rate market IRS and bond yields rose c2bp. Polish debt was outperforming its German, US and euro zone peripheral peers. Ambiguous Polish economic activity data did not have much impact on the market.

MPC member Łukasz Hardt said in the interview for Polish Press Agency that in his view there is no obvious reason why faster wages growth does not influence inflation. He added that he does not believe rate cuts could boost investments. Hardt is one of the hawkish members of the MPC who has suggested that discussion on interest rate hikes should start.

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## FX market

## Today's opening

EURPLN	4.2331	CZKPLN	0.1646
USDPLN	3.5833	HUFPLN*	1.3732
EURUSD	1.1813	RUBPLN	0.0624
CHFPLN	3.6554	NOKPLN	0.4506
GBPPLN	4.7343	DKKPLN	0.5687
USDCNY	6.6233	SEKPLN	0.4405

\*for 100HUF

## Last session in the FX market

18/10/2017

	min	max	open	close	fixing
EURPLN	4.225	4.238	4.234	4.233	4.2293
USDPLN	3.588	3.606	3.605	3.591	3.6006
EURUSD	1.173	1.179	1.175	1.179	-

## Interest rate market

18/10/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.70	2	09.06.2017	OK0419	1.859
PS0422 (5Y)	2.65	2	09.06.2017	PS0422	2.587
DS0727 (10Y)	3.30	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	0	1.63	1	-0.26	0
2L	1.98	1	1.81	1	-0.18	1
3L	2.13	2	1.93	1	-0.07	1
4L	2.29	2	2.00	2	0.07	1
5L	2.44	3	2.07	2	0.22	2
8L	2.76	3	2.23	3	0.62	3
10L	2.91	3	2.31	1	0.85	3

## WIBOR rates

Term	%	Change (bps)
O/N	1.69	-8
T/N	1.69	-7
SW	1.62	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	0
9x12	1.87	1
3x9	1.83	0
6x12	1.89	1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.90	1
France	21	0	0.41	0
Hungary	116	1	2.12	-1
Spain	72	3	1.22	1
Italy	138	-1	1.65	1
Portugal	127	2	1.95	1
Ireland	32	-1	0.23	0
Germany	11	0	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

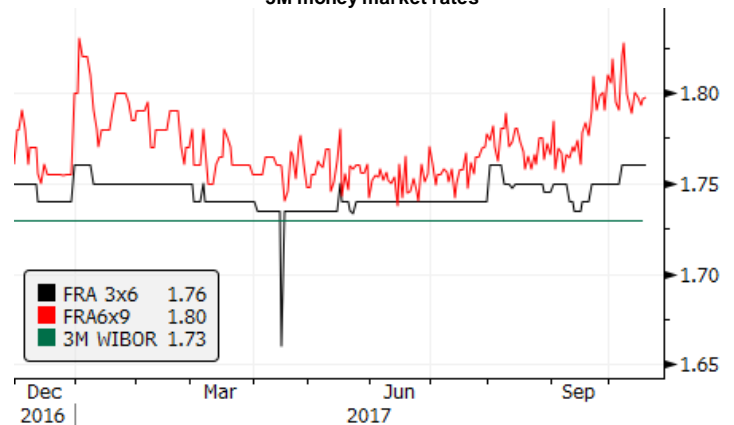
## Zloty exchange rate



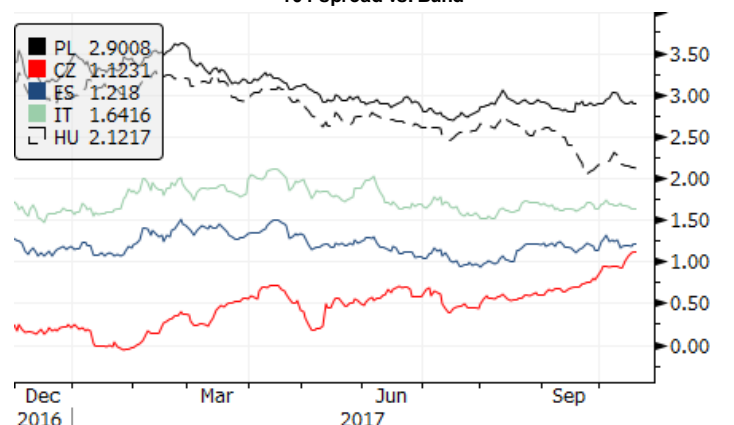
## T-bonds yields



## 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 (13 October)								
14:00	PL	Core inflation	Sep	% y/y	0.9	0.9**		0.7
14:30	US	CPI	Sep	% m/m	0.6	-		0.4
14:30	US	Retail sales	Sep	% m/m	1.7	-		-0.2
16:00	US	Flash Michigan	Oct	pts	95.0	-		95.1
MONDAY (16 October)								
14:00	PL	Current account	Aug	€m	-651	-602	-100	-878
14:00	PL	Exports	Aug	€m	15 512	15 891	15 682	14 939
14:00	PL	Imports	Aug	€m	15 920	16 325	15 384	15 486
TUESDAY (17 October)								
11:00	EZ	CPI	Aug	% y/y	1.5	-	1.5	1.5
11:00	DE	ZEW index	Sep	pts	88.5	-	87.0	87.9
14:00	PL	Wages in corporate sector	Aug	% y/y	5.7	5.9	6.0	6.6
14:00	PL	Employment in corporate sector	Aug	% y/y	4.6	4.6	4.5	4.6
15:15	US	Industrial output	Aug	% m/m	0.3	-	0.3	-0.9
WEDNESDAY (18 October)								
14:00	PL	Industrial output	Aug	% y/y	5.1	6.1	4,3	8.8
14:00	PL	Construction and assembly output	Aug	% y/y	18.1	16.6	15,5	23.5
14:00	PL	Real Retail sales	Aug	% y/y	6.8	7.6	7,5	6.9
14:00	PL	PPI	Aug	% y/y	3.1	3.1	3,1	3.0
14:30	US	Housing starts	Aug	% m/m	0.0	-	-4,7	-0.2
14:30	US	Building permits	Aug	% m/m	5.7	-	-4,5	3.4
20:00	US	Beige Book						
THURSDAY (19 October)								
14:00	PL	MPC minutes						
14:30	US	Index Philly Fed	Sep	pts	22.0	-		23.8
14:30	US	Initial jobless claims	week	k	240	-		243
FRIDAY (20 October)								
Polish rating review by S&P								
14:30	US	Home sales	Sep	% m/m	-0.9	-		-1.7

Source: BZ WBK, Reuters, Bloomberg

\* in case of the revision the data is updated

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