

# EYEOPENER

30 October 2017

## US data on the spotlight

- News from Spain as well as US data did not affect the markets
- EURPLN reached 4.25 at the end of week, CEE currencies under the pressures, EURUSD goes down
- The domestic yields fell, following the core markets
- Today on the spotlight: US consumer spending and earnings.

During the last session of the past week both shares and bonds continued to gain and the dollar stayed on the appreciation track. The trends observed were the follow up of Thursday's move when the ECB announced a small scale reduction in the bond-buying program, which was welcomed by investors. Strong US data did not impact prices - the first Q3 estimates of GDP were on the upside. In Spain, the Catalan parliament first declared the independence in a secret ballot, and shortly thereafter the Spanish senate announced imposing a direct rule over Catalonia. These reports did not have a significant impact on the market at the end of the week.

EURUSD kept falling and prior to the US GDP data reading it was close to 1.16, while on Thursday morning it was still above 1.18. Data from the US and reports from Spain did not have a significant impact on the prices. This week we will get a lot of data from the US (ISM for industry, monthly labour market report); there will be a FOMC meeting, the market will follow the tax reform developments and hints on the new Fed's chair. EURUSD fell last week below the support level of 1.166, which in our view opens up the way to 1.15.

EURPLN rose to 4.26 soon after the opening of the session but the following hours saw a correction and the EURPLN ended the Polish session near 4.245. USDPLN remained close to 3.66. In the case of the other CEE currencies, EURHUF was on the rise for the sixth session in a row and broke 311.5 for a while. Koruna followed the trend observed on the Polish market while the ruble was under pressure of falling oil price and stronger dollar. As a result, USDRUB rose sharply to 58.65 from 57.3 and from the local peak at 58.5 set in September.

The US bonds yield curve slid by 3-5bp, while the German Bunds one by 3-4bp, with slightly stronger fall at the short end. Changes in the EU peripheries were ambiguous.

On the domestic interest rate market the end of the week was under the spell of big declines of yield on the short end of the curve (by 5bp) and moderate decreases in the belly and on the long end (by 1-2bp). The whole IRS curve shifted up by 1-2bp. As a result the 2Y asset swap set a new record low at -44bp.

This morning domestic yields might continue to move lower. The move should be mostly seen on the short end. The long end might rise a bit in the afternoon provided that the US data on consumer expenditures prove as strong as the 3Q GDP estimate from Friday. This week we expect that the decline of the domestic short-dated t-bonds to come to an end. The PMI release should help make it happen, as we expect a high print.

Activity of domestic investors on the financial market may be reduced this week due to market holiday on November 1st, but there will be many important events abroad. Market attention will focus on the USA where we will see several important data releases (including labour market statistics), Fed meeting and speculation about new Fed governor, plus further work on the tax reform. Data from the euro zone (GDP, inflation) may also affect the market. Amid reduced liquidity, the Polish currency may be more volatile than usually in the week like this. Especially that the political risk may rise again after the Catalan parliament has voted to declare independence.

Key data releases in Poland include flash CPI (Tuesday) and PMI (Thursday). We expect to see a slight drop of inflation to 2.1% y/y. Although food prices are still pushing CPI up, but fuel price growth has weakened and there are no signs of strengthening pressure in other categories. As a result, core inflation may drop in October from September's 1% y/y. In case of PMI we expect an upward move to 54.4, as the index should keep on catching up with the euro zone indicators. It would be a confirmation that the GDP growth is likely to stay above 4% y/y in the final quarter of the year.

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## FX market

## Today's opening

EURPLN	4.2437	CZKPLN	0.1656
USDPLN	3.6525	HUFPLN*	1.3686
EURUSD	1.1618	RUBPLN	0.0632
CHFPLN	3.6584	NOKPLN	0.4482
GBPPLN	4.8029	DKKPLN	0.5703
USDCNY	6.6500	SEKPLN	0.4380

\*for 100HUF

## Last session in the FX market

27/10/2017

	min	max	open	close	fixing
EURPLN	4.243	4.264	4.253	4.247	4.252
USDPLN	3.640	3.672	3.641	3.659	3.6568
EURUSD	1.158	1.168	1.168	1.161	-

## Interest rate market

27/10/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.58	-2	09.06.2017	OK0419	1.859
PS0422 (5Y)	2.65	-2	09.06.2017	PS0422	2.587
DS0727 (10Y)	3.42	-1	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	1.64	0	-0.27	0
2L	2.03	0	1.83	0	-0.20	-1
3L	2.21	-1	1.95	-1	-0.08	-1
4L	2.37	-1	2.04	-1	0.06	-1
5L	2.52	-2	2.12	-1	0.21	0
8L	2.83	-3	2.31	-1	0.63	-1
10L	2.99	-3	2.40	-1	0.86	-1

## WIBOR rates

Term	%	Change (bps)
O/N	1.29	40
T/N	1.53	9
SW	1.57	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	1.81	0
9x12	1.91	1
3x9	1.83	0
6x12	1.91	1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	3.03	-2
France	20	0	0.40	0
Hungary	116	1	2.07	-1
Spain	71	3	1.15	-4
Italy	130	0	1.52	-5
Portugal	119	-1	1.75	-4
Ireland	32	-1	0.21	0
Germany	10	-1	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

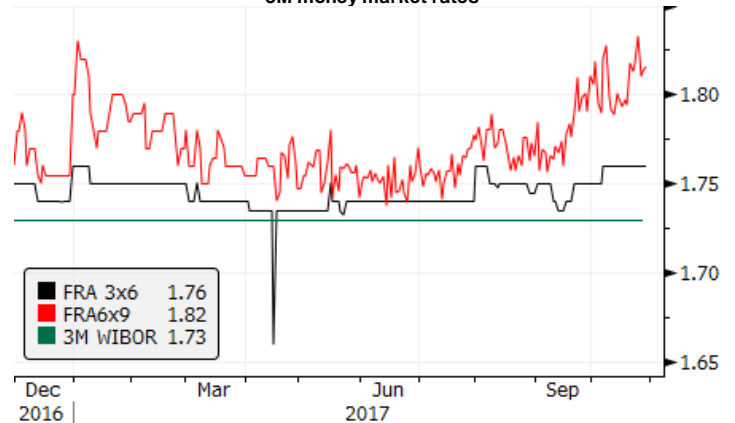
## Zloty exchange rate



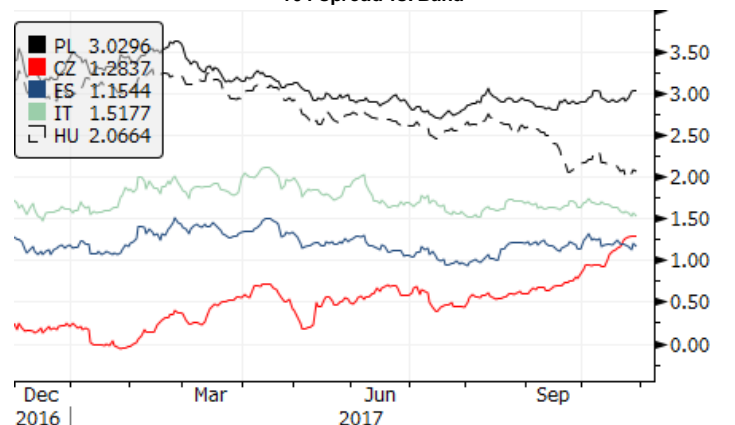
## T-bonds yields



## 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 (27 October)								
14:30	US	Advance GDP	Q3	q/q	2.6	-	3.0	3.1
16:00	US	Michigan index	Oct	pts	100.7	-	100.7	95.1
MONDAY (30 October)								
13:30	US	Personal income	Sep	% m/m	0.4	-		0.2
13:30	US	Consumer spending	Sep	% m/m	0.8	-		0.1
TUESDAY (31 October)								
11:00	EZ	Flash GDP	Q3	% y/y	2.4	-		2.3
11:00	EZ	Flash CPI	Oct	% y/y	1.4	-		1.5
14:00	PL	Flash CPI	Oct	% y/y	2.1	2.1		2.2
15:00	US	Consumer confidence index	Oct	pts	121.0	-		119.8
WEDNESDAY (1 November)								
	PL	Market holiday						
2:45	CN	PMI – manufacturing	Oct	pts	51.0	-		51.0
13:15	US	ADP report	Oct	k	190	-		135
15:00	US	ISM – manufacturing	Oct	pts	59.1	-		60.8
19:00	US	FOMC decision		%	1.0-1.25	-		1.0-1.25
THURSDAY (2 November)								
9:00	PL	PMI – manufacturing	Oct	pts	54.0	54.4		53.7
9:55	DE	PMI – manufacturing	Oct	pts	60.5	-		60.6
10:00	EZ	PMI – manufacturing	Oct	pts	58.6	-		58.1
13:00	CZ	Central bank decision		%	0.50	0.50		0.25
13:30	US	Initial jobless claims	week	k	-	-		233
FRIDAY (3 November)								
13:30	US	Non-farm payrolls	Oct	k	310	-		-33
13:30	US	Unemployment rate	Oct	%	4.2	-		4.2
15:00	US	ISM – services	Oct	pts	58.0	-		59.8
15:00	US	Industrial orders	Sep	% m/m	1.0	-		1.2

Source: BZ WBK, Reuters, Bloomberg

\* in case of the revision the data is updated

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