

# EYEOPENER

7 November 2017

## Zloty and bonds stronger

- Banks not very optimistic about credit demand outlook
- New car registrations up due to corporate demand
- Morawiecki's role in the government may increase?
- Yields of Polish bonds lower
- Zloty stronger in anticipation of MPC decision

NBP released results of a quarterly senior loan officers survey. The report for 3Q17 states that banks have eased credit criteria for enterprises and for the first time in two years they justified the changes with improved economic situation. In case of household loans it was another quarter of adjustments to new regulations, which meant tightening of bank policies. However credit conditions for households have been improved. Banks did not express optimism when it comes to expected demand for retail and corporate loans, and in case of mortgage loans also the current assessment of demand was negative. Indicators of demand for financing of investments and of durable goods purchases were again solid. It suggests that domestic demand will remain a strong pillar of GDP growth. The correlation between the index of demand for investment financing and real investment growth points to an acceleration of the latter to c8% y/y still this year. The realized improvement of private consumption growth to c5% y/y has been achieved without much support from durable goods purchases. The survey suggests that also this element might soon start to strengthen overall consumption.

Data on new car registrations in October showed a rise by 25% y/y and 9.4% m/m. According to Samar, institution that collects these data, this significant improvement was driven mainly by purchases of company cars. This is yet another hint suggesting investments revival in 2H17. At the same time, the report suggests an upside risk to our retail sales forecast (7.2% y/y in constant prices for October).

Deputy PM Jarosław Gowin said today in the morning in Polish Radio that the role of Mateusz Morawiecki in 'overseeing the economy' could rise after the government's reshuffle. We do not know exactly what that would mean in practice but there has already been a positive reaction of the zloty to this comment. The ruling party is still discussing changes in the government. Yesterday the Law and Justice spokesperson said that reshuffle could be postponed slightly.

At the beginning of the week the core bonds market strengthened. The yields of US and German sovereign bonds decreased, mainly in the long end of the curves. The bigger move took place in case of the German Bunds, where the belly and the long end of the curve shifted down by c2bp, while the US curve decreased by

c1bp. The short end of the US and German curve remained stable. Slightly better pricing was a result of weaker than expected Eurozone PMI data. Investors ignored stronger than expected Germany industrial orders data. The Eurozone periphery bonds stayed stable. The CEE bond yields were decreasing, despite the better than expected industrial and retail sales data from Czechia.

On Monday domestic debt gained on the long end of the curve (the yield fell by c1bp). The belly and the short end of the curve had decreased over the day, and rebounded to the opening level at the end of the session. The morning decrease was a reaction to weaker reading of European leading indicators. The IRS curve slid by 2bp in the 5Y-10Y segment and by 1bp in the 2Y segment. It led to marginal asset swap spread increase.

Today we expect marginal strengthening of domestic debt. This scenario will likely be supported by weaker than expected reading of German industrial production data as well as by Eurozone retail sales data (also unlikely to beat the forecasts). In the second part of the week we anticipate some deterioration on the domestic debt market. The longest bonds will likely lose strength since the Thursday's switch auction.

EURUSD on Monday continued the Friday's decline, which was supported by European services PMIs, rising US equities and stabilization of stock markets in Europe. As a result, EURUSD closed at 1.159 vs. 1.1610 at the opening. Today we expect a continuation of slow dollar strengthening against euro, but the scale of the movement should be small, in our view. In the coming days we expect to see a profit taking.

EURPLN fell at the beginning of the week to 4.242 from 4.245 and today in the morning it fell below 4.24 (probably owing to comments pointing to possible higher role deputy PM Morawiecki could have in the government). Zloty appreciated also thanks to looming MPC press conference when the new economic forecasts will be released but falling EURUSD was curbing gains. USDPLN rose above 3.66 from 3.653 amid stronger dollar. The Czech koruna gained vs the euro on better than expected industrial output and retail sales data that boosted expectations for next rate hike in Czechia. EURHUF rose driven by dollar's appreciation vs the euro. USDRUB plummeted to 58.6 from 59.3 amid sharp rise of Brent oil price (to USD64/bbl, in reaction to situation in Saudi Arabia).

Today we expect zloty's further gradual appreciation driven by expectations for more hawkish tone of the Polish MPC at tomorrow's meeting. Additional support for the domestic currency may be provided by rising commodity prices that in the market's view make a rate hike next year more likely.

### ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40

email: [ekonomia@bzwbk.pl](mailto:ekonomia@bzwbk.pl)

Web site: [skarb.bzwbk.pl](http://skarb.bzwbk.pl)

Piotr Bielski +48 22 534 18 87

Marcin Luźniński +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	4.2345	CZKPLN	0.1655
USDPLN	3.6544	HUFPLN*	1.3606
EURUSD	1.1588	RUBPLN	0.0624
CHFPLN	3.6534	NOKPLN	0.4485
GBPPLN	4.8053	DKKPLN	0.5689
USDCNY	6.6315	SEKPLN	0.4346

\*for 100HUF

## Last session in the FX market

06/11/2017

	min	max	open	close	fixing
EURPLN	4.239	4.248	4.245	4.240	4.2449
USDPLN	3.650	3.665	3.655	3.651	3.6585
EURUSD	1.158	1.162	1.161	1.161	-

## Interest rate market

06/11/2017

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

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.61	0	10/25/17	OK0720	2.000
PS0422 (5Y)	2.66	-1	10/25/17	PS0123	2.813
DS0727 (10Y)	3.44	-2	10/25/17	DS0727	3.375

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.82	-1	1.66	0	-0.27	0
2L	2.03	0	1.82	0	-0.20	0
3L	2.21	-1	1.93	-1	-0.09	-1
4L	2.38	-1	2.00	-1	0.04	-2
5L	2.52	-2	2.06	-1	0.18	-2
8L	2.84	-1	2.21	-2	0.58	-2
10L	3.00	-2	2.30	-2	0.81	-3

## WIBOR rates

Term	%	Change (bps)
O/N	1.58	-1
T/N	1.58	-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	1.76	0
6x9	1.81	-2
9x12	1.91	0
3x9	1.84	0
6x12	1.90	0

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	3.10	-2
France	18	0	0.39	0
Hungary	116	1	2.02	0
Spain	61	0	1.11	-2
Italy	117	1	1.43	-2
Portugal	111	1	1.66	-1
Ireland	32	-1	0.22	0
Germany	10	0	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

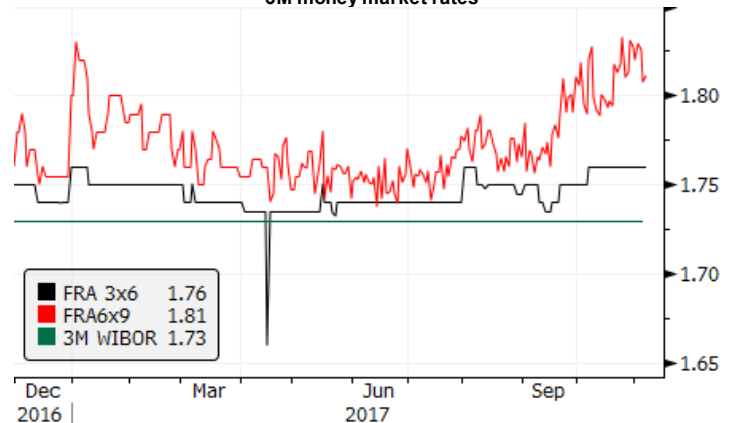
## Zloty exchange rate



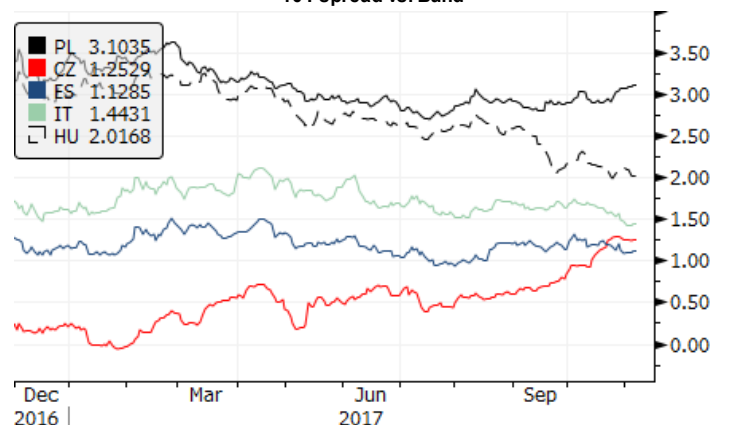
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
FRIDAY (3 November)								
13:30	US	Non-farm payrolls	Oct	k	313	-	261	-33
13:30	US	Unemployment rate	Oct	%	4.2	-	4.1	4.2
15:00	US	ISM – services	Oct	pts	58.5	-	60.1	59.8
15:00	US	Durable goods orders	Sep	% m/m	2.0	-	2.0	2.2
MONDAY (6 November)								
8:00	DE	Industrial orders	Sep	% m/m	-1.4	-	1.0	3.6
9:00	CZ	Industrial output	Sep	% m/m	3.5	-	4.4	5.8
9:55	DE	PMI – services	Oct	pts	55.2	-	54.7	55.6
10:00	EZ	PMI – services	Oct	pts	54.9	-	55.0	55.8
TUESDAY (7 November)								
8:00	DE	Industrial output	Sep	% m/m	-1.0	-	-1,6	2.6
11:00	EZ	Retail sales	Sep	% m/m	0.6	-		-0.5
WEDNESDAY (8 November)								
	PL	MPC decision		%	1.50	1.50		1.50
THURSDAY (9 November)								
8:00	DE	Exports	Sep	% m/m	-1.3	54.4		2.9
9:00	CZ	CPI	Oct	% y/y	2.7	-		2.7
9:00	HU	CPI	Oct	% y/y	2.3	-		2.5
11:00	PL	Bond switch auction				0.50		
14:30	US	Initial jobless claims	week	k	-	-		229
FRIDAY (10 November)								
14:00	PL	Current account	Sep	€m	-202	-667		-100
14:00	PL	Exports	Sep	€m	17 090	16 892		15 682
14:00	PL	Imports	Sep	€m	16 846	16 939		15 384
16:00	US	Flash Michigan	Nov	pts	100.0	-		100.7

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.