

EYEOPENER

13 November 2017

Record-high trade surplus in September

- Surprisingly strong stat office data on Poland exports
- Bonds and zloty gain on EC forecasts upgrade and high trade surplus data
- Today, presentation of the new inflation projection and Polish balance of payments data

On Friday, Polish stat office released September foreign trade data. They showed a surprisingly strong rebound in exports (+12.5% y/y) amid moderate import growth (7.4% y/y). The trade surplus in Jan-Sep was €1.86bn, which implies that in September alone the balance reported a record-high surplus of almost €1bn. This implies, in our view, high probability that the NBP's balance of payments data due today will show a positive surprise. It also generates upward risk for our 3Q GDP forecast. Domestic bonds were gaining through most of Friday, just like the zloty, reacting positively to the surprisingly positive fiscal forecasts from the European Commission that were released on Thursday and the strong foreign trade data.

At the end of the week, yields were rising on both side of Atlantic, the bigger move was observed on the US curve that moved up by 2, 4 and 6bp in the 2Y, 5Y and 10Y tenors, respectively, while the German by 1, 2 and 3bp. Those changes were a consequence of market view that the economic rebound is sustainable, after the publication of series of European industry data on Friday. Investors were not discouraged by weaker consumer confidence data from the US.

On Friday, domestic market was heading in the opposite direction than core markets. The Polish yield curve was pushed down by new solid economic forecast for Poland prepared by the European Commission as well as strong stat office trade balance data released on Friday. As a consequence, the long end of yield the curve eased by 5bp, the belly by 7bp and the front end by 2bp. The IRS curve fell by 2 bp.

Today we expect a correction of that move, especially on the long end. The middle and short end of the curve should remain unchanged due to the expected strong demand. In the perspective of the whole week, longer tenors could suffer because of the planned release of 3Q GDP estimate in Poland and in Europe.

EURUSD continued to rise on Friday, driven by a series of releases on industrial output from the euro zone, confirming the sustainability of the recovery in Europe. As a result, EURUSD climbed from 1.164 in the morning to 1.166 in the afternoon.

EURPLN kept falling on Friday thanks to good data from the European economy and publication by Poland stat office the data on a record surplus in exports in September. As a result, in the afternoon EURPLN reached 4.225 against 4.235 at the opening. EURHUF fluctuated during the day at c312, closing the day slightly below this level. The Fitch decision to improve the rating outlook for Hungary to positive and keeping BBB-grade unchanged did not have any major impact on forint. EURCZK rebounded from 25.51 to 25.55, which was influenced by the publication of minutes in which the Czech central bank referred to the risk of excessive appreciation of the koruna. USDRUB decreased from 59.30 to 59.20 despite falling oil prices. The Russian currency was supported by the publication of data on very high export surplus.

Today, we expect continued strengthening of the domestic currency which should be supported by today good data on current account deficit and positive global moods. At the same time, we do not expect EURPLN to move much away from 4.23.

Apart from the current account data for September, October inflation is due for release today. In our view the data will confirm flash estimate at 2.1% y/y. Recent strong rises of oil prices may make the inflation's return below 2% y/y in December difficult.

This week will be interesting. It will start with a publication of Inflation Report, including the details of the new NBP projections, with – as we already know – a bit higher CPI and GDP paths. New comments made by MPC members may be expected and they may not be as dovish as those by NBP governor Głapiński. On Wednesday we will learn flash GDP data for 3Q17. CPI growth slowed slightly in October, but it may rebound already in November due to significant rise in fuel prices. The end of the week will see the release of data on wages and employment, which should confirm building wage pressure. There will also be lots of data releases abroad: inflation, flash GDP, several other indicators in Europe and USA – plus numerous public speeches made by central bankers.

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FX market

Today's opening

EURPLN	4.2287	CZKPLN	0.1656
USDPLN	3.6301	HUFPLN*	1.3572
EURUSD	1.1649	RUBPLN	0.0614
CHFPLN	3.6438	NOKPLN	0.4457
GBPPLN	4.7529	DKKPLN	0.5682
USDCNY	6.6434	SEKPLN	0.4336

*for 100HUF

Last session in the FX market

10/11/2017

	min	max	open	close	fixing
EURPLN	4.223	4.239	4.239	4.226	4.2299
USDPLN	3.618	3.644	3.641	3.623	3.6274
EURUSD	1.162	1.168	1.164	1.167	-

Interest rate market

10/11/2017

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0419 (2Y)	1.58	-2	10/25/17	OK0720	2.000
PS0422 (5Y)	2.56	-6	10/25/17	PS0123	2.813
DS0727 (10Y)	3.37	-4	10/25/17	DS0727	3.375

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.80	-1	1.69	1	-0.27	0
2L	2.01	-1	1.86	2	-0.20	0
3L	2.18	-1	1.97	3	-0.07	1
4L	2.34	-1	2.05	4	0.07	2
5L	2.48	-2	2.12	5	0.22	2
8L	2.79	-2	2.29	7	0.64	4
10L	2.94	-2	2.38	7	0.88	3

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	1.88	0
3x9	1.82	0
6x12	1.87	0

Measures of fiscal risk

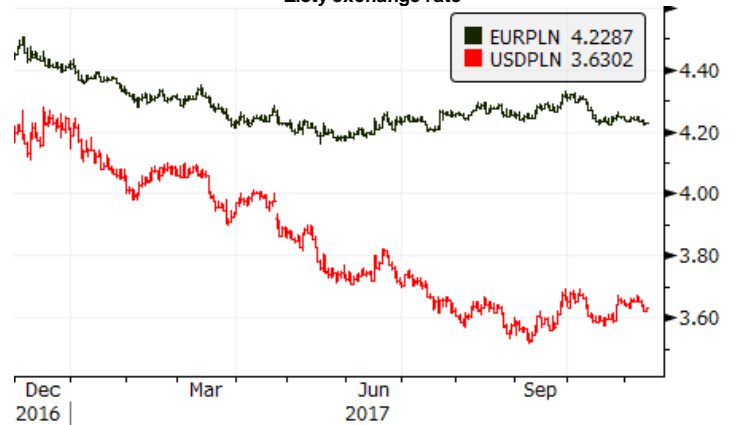
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	-1	2.96	-4
France	18	0	0.37	0
Hungary	116	1	1.86	1
Spain	71	7	1.15	0
Italy	118	0	1.43	0
Portugal	114	-1	1.64	0
Ireland	32	-1	0.24	5
Germany	10	-1	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

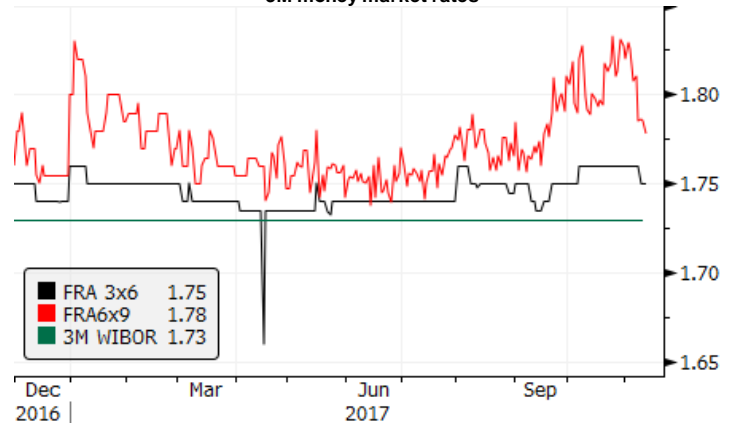
Zloty exchange rate



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 (10 November)								
16:00	US	Flash Michigan	Nov	pts	100.8	-	97.8	100.7
MONDAY (13 November)								
14:00	PL	CPI	Oct	% y/y	2.1	2.1		2.2
14:00	PL	Current account	Sep	€m	-350	-667		-100
14:00	PL	Exports	Sep	€m	17 050	16 892		15 682
14:00	PL	Imports	Sep	€m	16 686	16 939		15 384
TUESDAY (14 November)								
8:00	GE	Flash GDP	Q3	% y/y	2.3	-		2.1
9:00	CZ	Flash GDP	Q3	% y/y	4.8	-		4.7
9:00	HU	Flash GDP	Q3	% y/y	3.7	-		3.2
10:00	PL	Flash GDP	Q3	% y/y	4.5	4.3		3.9
11:00	EZ	Flash GDP	Q3	% y/y	2.5	-		2.5
11:00	EZ	Industrial output	Sep	% y/y	3.3	-		3.8
11:00	GE	ZEW index	Nov	pts	88.0	-		87.0
14:00	PL	Core inflation	Oct	% y/y	0.9	0.8		1.0
WEDNESDAY (15 November)								
14:30	US	CPI	Oct	% m/m	0.1	-	0.5	14:30
14:30	US	Retail sales	Oct	% m/m	0.1	-	1.6	14:30
THURSDAY (16 November)								
11:00	EZ	CPI	Oct	% y/y	1.4	-		1.5
14:30	US	Initial jobless claims	week	k	-	-		239
14:30	US	Philly Fed index	Nov	pts	24.0	-		27.9
15:15	US	Industrial output	Oct	% m/m	0.4	-		0.3
FRIDAY (10 November)								
14:00	PL	Wages in corporate sector	Oct	% y/y	6.5	6.4		6.0
14:00	PL	Employment in corporate sector	Oct	% y/y	4.5	4.5		4.5
14:30	US	House starts	Nov	% m/m	5.4	-		-4.7
14:30	US	Building permits	Nov	% m/m	1.4	-		-3.7

Source: BZ WBK. Reuters. Bloomberg

* in case of the revision the data is updated

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