

EYEOPENER

28 November 2017

Deterioration of global sentiment, stable PLN

- **Correction of positive mood on the global market**
- **Eryk Łon confirms his dovish stance**
- **CEE fx unchanged, the euro a bit stronger vs. the dollar**
- **Yields down somewhat on reduced demand for risk assets**
- **Today US consumer sentiment**

Global market sentiment deteriorated slightly at the beginning of the week despite signals from Germany suggesting higher chances for forming a governing coalition and better than expected US real estate data. Investors may be concerned by yet another poor session on the Asian equity market and sharp decline of industrial metals prices. Euro gained vs the dollar but only marginally and the CEE currencies stayed fairly flat (with the forint outperforming its peers). Bonds benefited from lower demand for risky assets and yields fell.

Today in the US Senate the hearing of Janet Yellen's successor as the Fed governor is planned. Notes prepared by Jerome Powell for that event showed that he is in favour of continuation of monetary policy run by Yellen, whose term ends in early February. He supports gradual rate hikes and slow reduction of the Fed balance sheet. Yesterday two FOMC members expressed their opinion. William Dudley said that there is basically full employment in the US economy while Neel Kashkari disagreed saying that limited wage growth suggests spare labor force resources. The latter said that FOMC could change its monetary policy rhetoric if the US Congress approves the tax reform.

EURUSD stabilized after Friday's jump and started the week near 1.193. The euro gained only slightly after the signals from Germany and the dollar's reaction to the US data was also muted. We think that if the next US data are good, the dollar could recover part of losses suffered vs the euro in the last three weeks. Today we will learn the Conference Board consumer confidence index and if the figure surprises to the upside, the market may start pricing more positive releases to be delivered later in the week. President Donald Trump will speak today with the Republican senators about the tax reform

that could be voted this Thursday. The shape of the bill and whether it will be voted or not is an important issue for the dollar. Trump will also speak with Democrats and Republicans about raising the debt ceiling that under current agreement will not be a limiting factor until December 8. This time it may be more difficult to reach an agreement than in September, when politicians united as support was needed after numerous hurricanes hit the US.

Yesterday EURPLN fell temporarily to 4.20 from 4.21, but it did not break the last week low (reached as a reaction to Hungary central bank decision to ease monetary policy). USDPLN stayed close to 3.525. Hungarian forint strengthened (EURHUF decreased to slightly below 311 from 312), Czech koruna remained stable against the euro, while Russian ruble temporarily and marginally gained against the US dollar.

On Monday domestic yields and IRS rates remained stable. Rates and yields were decreasing slightly during the day, while at the end of the session the rates came back to the level from the Friday close. On the European market, most of the bonds gained marginally. Today on the data front we expect one important release – Conference Board consumer confidence reading – and we anticipate limited volatility on the debt market. We expect stronger move at the end of the week when more important data readings are scheduled.

MPC member Eryk Łon told yesterday the Polish Press Agency (PAP) the November NBP projection justifies a prolonged period, at least 12M, of stable interest rates. In his view inflation is going to breach the 2.5% y/y target only by a narrow margin and inflationary pressure should be mild even with rates on hold. His PAP interview is in line with his earlier remarks and confirms his dovish stance. He still is the only member mentioning a possibility of rate cuts if business sentiment and activity were to drop sharply. These remarks do not signal a change the balance of power within the Council.

Fitch rating agency kept its GDP growth forecasts for Poland at 4.0% y/y and 3.2% y/y, in 2017 and 2018 respectively. The Fitch rating review for Poland is scheduled for 8 December.

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FX market

Today's opening

EURPLN	4.2079	CZKPLN	0.1654
USDPLN	3.5373	HUFPLN*	1.3540
EURUSD	1.1896	RUBPLN	0.0606
CHFPLN	3.5982	NOKPLN	0.4327
GBPPLN	4.7145	DKKPLN	0.5654
USDCNY	6.5992	SEKPLN	0.4253

*for 100HUF

Last session in the FX market

27/11/2017

	min	max	open	close	fixing
EURPLN	4.201	4.214	4.210	4.208	4.2086
USDPLN	3.516	3.538	3.532	3.536	3.5276
EURUSD	1.190	1.196	1.193	1.190	-

Interest rate market

27/11/2017

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
DS1019 (2L)	1.54	2	11/23/17	OK0720	1.846
PS0123 (5L)	2.55	2	11/23/17	PS0123	2.704
DS0727 (10L)	3.34	1	11/23/17	DS0727	3.338

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.82	0	1.76	0	-0.26	0
2L	2.05	0	1.92	0	-0.19	-2
3L	2.22	1	2.02	0	-0.07	-1
4L	2.37	1	2.08	0	0.07	-1
5L	2.51	0	2.13	-1	0.20	-2
8L	2.82	0	2.26	-1	0.58	-2
10L	2.96	0	2.33	-1	0.80	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.49	0
T/N	1.49	-2
SW	1.58	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	1.82	0
9x12	1.91	0
3x9	1.84	0
6x12	1.89	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			3.00	1
France	17	1	0.33	0
Hungary	116	1	1.72	0
Spain	58	1	1.13	0
Italy	118	1	1.44	0
Portugal	104	0	1.57	0
Ireland	25	-1	0.23	0
Germany	9	-2	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

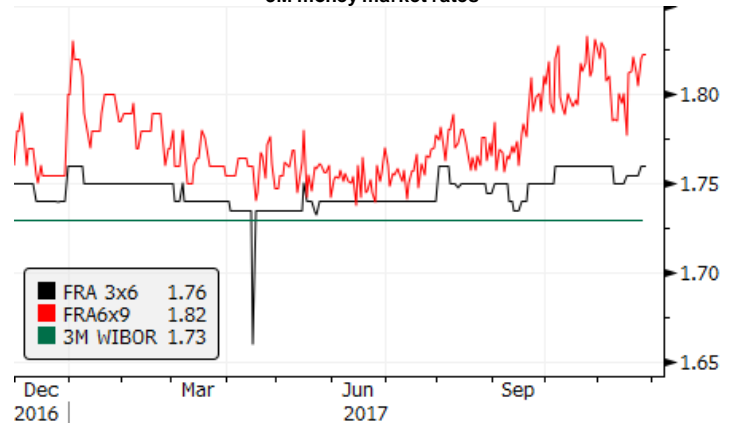
Zloty exchange rate



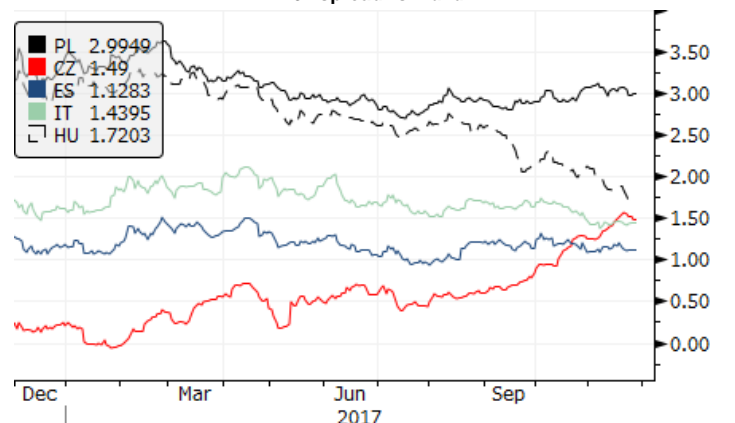
T-bonds yields



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 (24 November)								
10:00	DE	Ifo	Nov	pts	116.5	-	117.5	116.8
10:00	PL	Unemployment rate	Oct	%	6.7	6.6	6.6	6.8
MONDAY (27 November)								
16:00	US	New home sales	Oct	% m/m	-6.53	-	6.2	14.2
TUESDAY (28 November)								
16:00	US	Conference Board index	Nov	pts	124.0	-		125.9
WEDNESDAY (29 November)								
14:30	US	Preliminary GDP	Q3	% q/q	3.2	-		3.0
16:00	US	Pending home sales	Oct	% m/m	1.1	-		0.0
20:00	US	Fed Beige Book						
THURSDAY (30 November)								
10:00	PL	GDP	Q3	% y/y	4.7	4.7		4.0
10:00	PL	Investments	Q3	% y/y	-	4.4		0.8
10:00	PL	Private consumption	Q3	% y/y	-	5.1		4.9
11:00	EC	Flash CPI	Nov	% y/y	-	-		1.4
11:00	EC	Unemployment rate	Oct	%	-	-		8.9
14:00	PL	Flash CPI	Nov	% y/y	-	2.4		2.1
14:30	US	Initial jobless claims	week	k	240	-		239
14:30	US	Personal spending	Oct	% m/m	0.2	-		1.0
14:30	US	Personal income	Oct	% m/m	0.3	-		0.4
FRIDAY (1 December)								
09:00	PL	PMI manufacturing	Nov	pts	-	54.6		53.4
09:00	CZ	GDP	Q3	% y/y	-	-		5.0
9:55	DE	PMI – manufacturing	Nov	pts	60.6	-		60.6
10:00	EZ	PMI – manufacturing	Nov	pts	58.5	-		58.5
16:00	US	ISM manufacturing	Nov	pts	58.3	-		58.7

Source: BZ WBK. Reuters. Bloomberg

* in case of the revision the data is updated

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