

EYEOPENER

30 November 2017

GDP and CPI coming today

- **US data beat expectations once again**
- **PLN only temporarily stronger vs. the euro and the dollar, EURUSD slightly lower**
- **Domestic debt stable despite losses seen abroad**
- **Today details of Polish GDP, flash CPI, more data from the USA**

Solid US data from yesterday had a positive impact on the global market, eg on the equity markets in Europe. Preliminary US GDP surprised on the positive side. The data showed some acceleration compared to the 2Q17. Pending home sales for October were rising faster than forecast, which negatively affected the bonds market. Tech stocks sold-off in the US (and later in Asia) which put a cap on American stock markets. The German retail sales data, released this morning, surprised on the negative side, falling in October by 1.4% y/y NSA (vs. +2.8% y/y consensus).

The Fed Beige Book showed gradual recovery in US economy (especially in the industrial sector), signals of tight labour market, but still moderate only wage growth. Yesterday US Senate voted to put the tax reform bill to debate, and it may be approved already today. The US president nominated Marvin Goodfriend to Fed Board (it gives him voting right in FOMC). The new board member was a vocal critic of Fed post-crisis policy (especially QE programmes). In turn, the Fed chair Janet Yellen told yesterday the Congress Joint Economic Committee that the economic growth in US is becoming more broad-based. However she also said core inflation was 'surprisingly subdued' and that low inflation might reflect something more persistent.

EURUSD deepened the downward move observed since the start of the week, approaching 1.185. The US currency was supported again by the US data, namely the second estimate of GDP growth in 3Q17 and housing market report. Today we will see next publications – consumer revenue and spending plus PCE inflation. As in previous days, it seems that strong data could be positive for the dollar. Moreover, the US tax reform may be voted today and its approval may also support the currency.

Both EURPLN and USDPLN plummeted early in the morning to 4.188 and 3.53, respectively, but this was not a reaction to any particular factor. Zloty's appreciation proved only temporary and at the end of the day both exchange rates were near opening levels at c4.20 and 3.55. In the case of the other CEE currencies, the ruble and the koruna were fairly stable while the forint was under pressure with EURHUF rising above 311. The headline GDP should not differ much from the first estimate and changes in

components will rather not look too hawkish (we have not seen any clear evidence of any substantial revival of investments yet). Flash November inflation may rise noticeably vs October but like we wrote previously, recent currency-positive news have already been largely priced-in and the Thursday's data should not generate strong down pressure on EURPLN. The next US data could be more important and if they surprise to the upside the dollar may gain, weighing on the emerging market currencies.

On the domestic interest rate market, IRS and bond yields were hovering near Tuesday close, doing much better than core bonds or Euro zone peripheries. Polish debt was still benefitting from Tuesday data on budget and ignored the risk of hawkish GDP, CPI and PMI data.

In our view, the solid GDP data will improve credit risk assessment for Polish debt. This should translate into further but slight compression of asset swap spreads. However, most of this improvement is already priced-in, so we are expecting no major move. Despite lower asset swap spreads, we are not expecting bond yields to go down. In our view, solid details of GDP data, the expected increase in annual CPI and tomorrow's PMI will push the middle and the end of the yield curve up, with IRS rate moving more decisively.

Today at 10:00CET the Statistics Office releases detailed data on 3Q17 GDP growth. The surprisingly high GDP in 3Q (4.7% y/y) came from private consumption, which in our view added 3pp+ to overall growth, but also from net exports and inventory changes). The partial data on investments from last week have made us wait even more impatiently for the 3Q GDP details. Data from enterprises employing 50+ still show no evidence of investment rebound, while investment spending of local government gained steam.

At 14:00CET we will get to see flash November inflation. In our view it was really close to target at 2.4% (with upward risk), mostly due to higher prices of fuel and to some extent also food. House maintenance costs are also an important category after its surge in October on rising price of coal.

European Commission's confidence indicators again pointed to rising optimism in almost all sectors of the Polish economy. The headline figure climbed to 106.1pts from 105.4pts and is the highest since 2008, just like indicators for industry, construction and consumers. In case of industry, the most visible improvement was in export orders, expectations about future output and expected changes in own output prices. Consumers' assessment of current inflation rose m/m at the fastest pace in six years.

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FX market

Today's opening

EURPLN	4.2024	CZKPLN	0.1648
USDPLN	3.5422	HUFPLN*	1.3459
EURUSD	1.1863	RUBPLN	0.0604
CHFPLN	3.5958	NOKPLN	0.4259
GBPPLN	4.7682	DKKPLN	0.5646
USDCNY	6.6077	SEKPLN	0.4229

*for 100HUF

Last session in the FX market

29/11/2017

	min	max	open	close	fixing
EURPLN	4.188	4.204	4.201	4.201	4.1991
USDPLN	3.530	3.555	3.539	3.545	3.5385
EURUSD	1.182	1.188	1.187	1.185	-

Interest rate market

29/11/2017

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
DS1019 (2L)	1.55	2	11/23/17	OK0720	1.846
PS0123 (5L)	2.71	4	11/23/17	PS0123	2.704
DS0727 (10L)	3.33	2	11/23/17	DS0727	3.338

IRS on the interbank market**

Term	PL %	Change (bps)	US %	Change (bps)	EZ %	Change (bps)
1L	1.82	0	1.77	2	-0.26	0
2L	2.05	0	1.94	3	-0.18	1
3L	2.23	1	2.05	4	-0.05	1
4L	2.38	2	2.11	5	0.09	2
5L	2.52	2	2.16	5	0.23	3
8L	2.83	3	2.30	7	0.62	3
10L	2.98	3	2.38	7	0.85	4

WIBOR rates

Term	%	Change (bps)
O/N	1.49	24
T/N	1.48	0
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	1.81	-1
9x12	1.91	0
3x9	1.84	0
6x12	1.89	0

Measures of fiscal risk

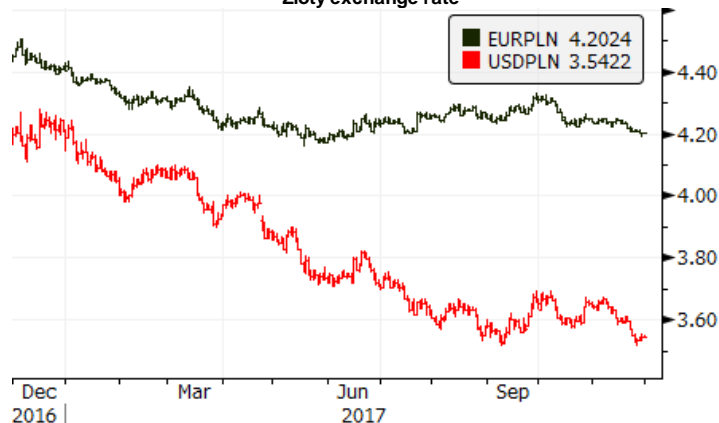
Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.94	2
France	16	-1	0.32	0
Hungary	116	1	1.73	-1
Spain	56	-2	1.09	0
Italy	115	-3	1.40	0
Portugal	100	-2	1.53	-1
Ireland	25	-1	0.21	0
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

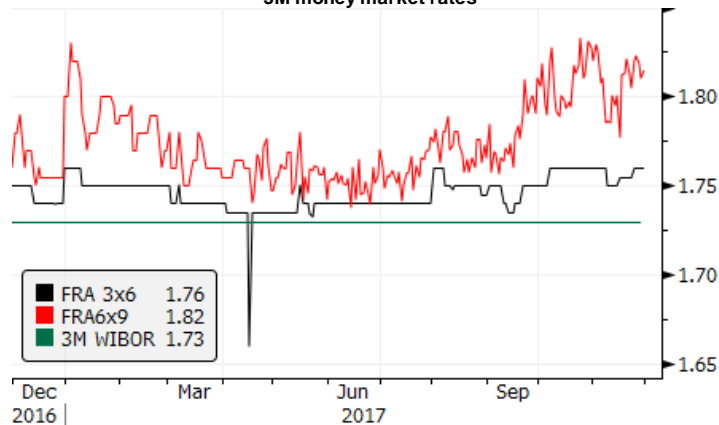
Zloty exchange rate



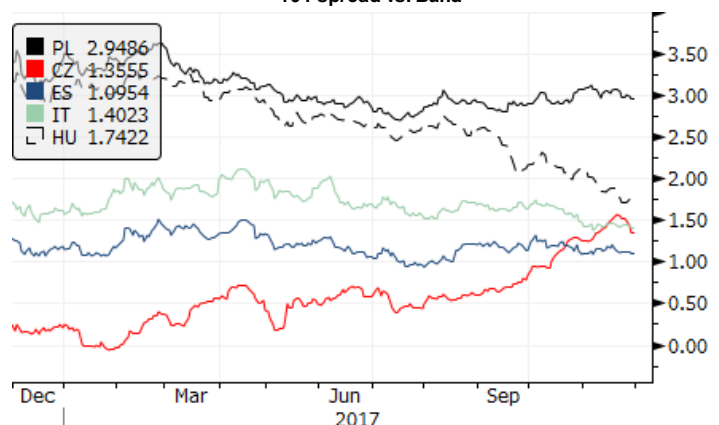
T-bonds yields



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 (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	-	129.5	126.2
WEDNESDAY (29 November)								
14:30	US	Preliminary GDP	Q3	% q/q	3.2	-	3.3	3.1
16:00	US	Pending home sales	Oct	% m/m	1.1	-	3.5	-0.4
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	4.5	4.4		0.8
10:00	PL	Private consumption	Q3	% y/y	4.9	5.1		4.9
11:00	EC	Flash CPI	Nov	% y/y	1.6	-		1.4
11:00	EC	Unemployment rate	Oct	%	8.9	-		8.9
14:00	PL	Flash CPI	Nov	% y/y	2.3	2.4		2.1
14:30	US	Initial jobless claims	week	k	240	-		239
14:30	US	Personal spending	Oct	% m/m	0.3	-		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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