

EYEOPENER

7 December 2017

Zloty weaker, bonds stronger

- **Zloty slightly weaker**
- **Bond yields lower, dragged by core markets and dovish MPC**
- **Today final GDP data in the euro zone, US initial jobless claims**

Today we expect stabilization on the fx and debt market. There are no important data releases planned for today. Wednesday ADP report (in line with expectations) and German industrial new orders did not affect expectations of investors significantly and did not stop the decline of yields. The zloty was depreciating after the dovish MPC conference.

On Wednesday bond yields were decreasing on the German and US markets, which was partly the result of dropping commodity prices and poor stock markets performance. The US curve slid by 1-3 bp, with the stronger move on the long end. The German yield curve has decreased by 2-3 bp. In our opinion such market behavior could have been a consequence of rising concerns among market players if the global economic recovery could be sustained after the recent ISM and PMI data releases. The leading indicators for the US economy (ISM-manufacturing and ISM-non manufacturing) recorded decreases, the euro zone PMI-manufacturing reached the record level, while PMI-services started to stabilize. The German industrial orders data and US ADP data released yesterday was ignored by the market. However, German industrial production data released this morning disappointed (-1,4% m/m vs. expected +1,0% y/y), which can deepen investors' concern.

The domestic debt market gained on Wednesday. On the one hand, yield curves were pushed down by behaviour of German and US markets, but on the other hand, dovish message from the MPC meeting encouraged investors to keep rates low. As a result, Polish yield curve slid by 1-3bp, mostly at the longer end

of the curve. The IRS curve followed suit. Investors ignored information about the incoming government reshuffle.

Czech and Hungarian 10Y bonds closed at the opening levels, not reacting to the strengthening of core market debt.

The Ministry of Finance informed that value of its PLN and foreign currency funds at its accounts fell in November to PLN57.4bn from PLN64.2bn. The Ministry said that the average maturity for the local-currency debt rose to 4.51 years and for the total debt reached 5.15. We think this should ease the pressure to extend the maturity further at the nearest bond switch auction planned for December 15. This might mean that more short term bonds could be sold than on the previous auction (possible higher supply of the zero-coupon OK0720).

Today we expect bonds to remain stable amid no important Polish and global data releases. Also, tomorrow's US nonfarm payrolls shall not surprise much supporting the scenario of a calm end of the week on the Polish and foreign bond markets.

EURUSD fell on Wednesday following falling equity and commodity prices. As a result, the exchange rate fell to 1.179 from 1.183.

EURPLN was climbing on Wednesday, fueled by dovish message from the MPC meeting that prospects for hikes are rather distant. This moved the rate from 4.2060 to 4.2130, with a temporary move to 4.2170. Investors ignored information about incoming government reshuffle. EURHUF went up in reaction to minutes of the Hungarian central bank, which confirmed the start of MBS purchases. The Czech koruna gained a bit due to speculations about possible rate hikes. USDRUB climbed in reaction to falling oil prices.

Today, we expect a zloty stabilisation given lack of important data releases.

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FX market

Today's opening

EURPLN	4.2150	CZKPLN	0.1646
USDPLN	3.5732	HUFPLN*	1.3405
EURUSD	1.1796	RUBPLN	0.0602
CHFPLN	3.6072	NOKPLN	0.4306
GBPPLN	4.7781	DKKPLN	0.5664
USDCNY	6.6166	SEKPLN	0.4234

*for 100HUF

Last session in the FX market

06/12/2017

	min	max	open	close	fixing
EURPLN	4.205	4.217	4.205	4.213	4.2154
USDPLN	3.553	3.578	3.562	3.572	3.5653
EURUSD	1.178	1.185	1.181	1.179	-

Interest rate market

06/12/2017

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
DS1019 (2L)	1.63	0	11/23/17	OK0720	1.846
PS0123 (5L)	2.69	-2	11/23/17	PS0123	2.704
DS0727 (10L)	3.24	-3	11/23/17	DS0727	3.338

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.80	-1	1.80	-1	-0.27	0
2L	2.03	-2	1.98	-2	-0.19	0
3L	2.20	-2	2.08	-3	-0.07	0
4L	2.36	-2	2.13	-4	0.06	0
5L	2.49	-3	2.18	-4	0.19	1
8L	2.79	-2	2.28	-4	0.57	0
10L	2.93	-3	2.34	-4	0.78	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.51	7
T/N	1.51	2
SW	1.57	0
2W	1.61	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	1.77	0
6x9	1.80	0
9x12	1.90	-1
3x9	1.84	0
6x12	1.88	-1

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.94	-4
France	15	-1	0.31	0
Hungary	116	1	1.77	-1
Spain	56	0	1.12	-1
Italy	116	2	1.41	-1
Portugal	99	0	1.55	-2
Ireland	25	-1	0.18	0
Germany	8	-1	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

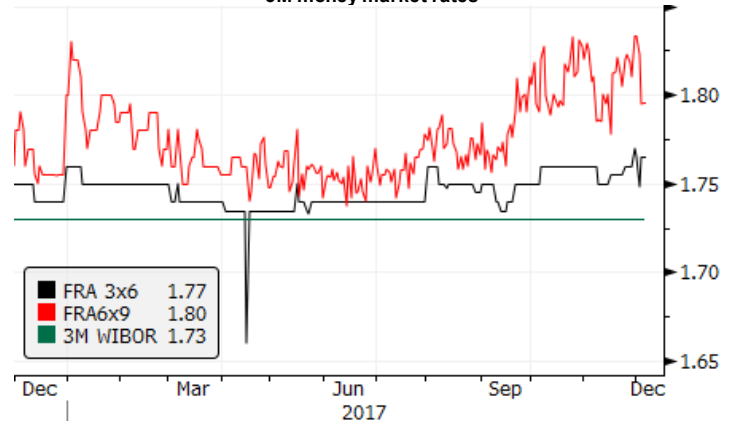
Zloty exchange rate



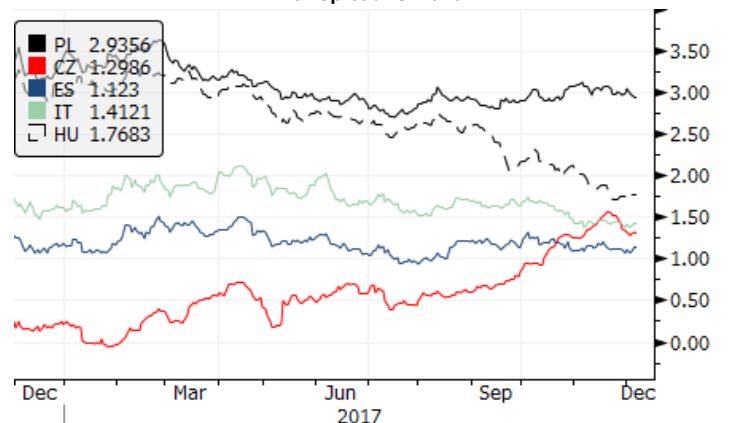
T-bonds yields



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 (1 December)								
09:00	CZ	GDP SA	3Q	% y/y	5,0		5,0	5,0
09:00	PL	Poland Manufacturing PMI	Nov	pts	54,0	54.6	54.2	53.4
09:55	DE	Germany Manufacturing PMI	Nov	pts	62.5		62.5	62.5
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	60,0		60.1	60,0
16:00	US	ISM manufacturing	Nov	pts	58.3		58.2	58.7
MONDAY (4 December)								
16:00	US	Durable Goods Orders	Oct	% m/m	-1,0		-0.8	-1.2
16:00	US	Factory Orders	Oct	% m/m	-0.4		-0.1	1.4
TUESDAY (5 December)								
	PL	Poland Base Rate Announcement		%	1.5	1.5	1.5	1.5
02:45	CH	Caixin China PMI Services	Nov	pts	-		51.9	51.2
09:55	DE	Markit Germany Services PMI	Nov	pts	54.9		54.3	54.9
10:00	EZ	Eurozone Services PMI	Nov	pts	56.2		56.2	56.2
11:00	EZ	Retail Sales	Oct	% m/m	-0.7		-1.1	0.7
16:00	US	ISM services	Nov	pts	59.0		57.4	60.1
WEDNESDAY (6 December)								
08:00	DE	Factory Orders	Oct	% m/m	-0.2		0.5	1.0
14:15	US	ADP report	Nov	k	190,0		190.0	234.9
THURSDAY (7 December)								
08:00	DE	Industrial Production SA	Oct	% m/m	0.95		-1.4	-0.9
11:00	EZ	GDP SA	3Q	% y/y	2.5		-	2.5
14:30	US	Initial Jobless Claims	Dec-17	k	240		-	238
FRIDAY (8 December)								
	PL	Rating Review						
08:00	DE	Exports SA	Oct	% m/m	1.0		-	-0.4
14:30	US	Change in Nonfarm Payrolls	Nov	k	200		-	261
14:30	US	Unemployment Rate	Nov	%	4.1		-	4.1
16:00	US	Michigan index	Dec	pts	99.0		-	98.5

Source: BZ WBK, Reuters, Bloomberg

* in case of the revision the data is updated

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