

EYEOPENER

8 December 2017

Mateusz Morawiecki to be new PM

- **Beata Szydło to resign, Mateusz Morawiecki to be new PM**
- **Złoty and debt stable given no impulses**
- **Today data on non-farm payrolls and Michigan consumer sentiment**

Yesterday the Prime Minister Beata Szydło informed the PiS Political Committee about her willingness to resign. Mateusz Morawiecki, current Deputy Prime Minister as well as Minister of Finance and Minister of Development is the ruling party's candidate for this post. According to the Polish law, resignation of Prime Minister triggers a dismissal of the whole government. Then the president designates new PM and ministers (this is to take place on Tuesday, according to unofficial information). The PM nominee has 14 days to deliver his introductory speech and win a confidence vote in the Sejm. Media report that for the time being the composition of the government will remain intact and it is probable that Beata Szydło will become a deputy prime minister for social affairs. There are vacancies in ministries of finances of development, so far no candidates were named. In our view, change of the PM will not affect the government policies; however, in the short term it may be positive for Polish assets, as it gives hope for a more consensual stance towards the EU and improved coordination of some projects.

On Thursday the global debt markets were calm. Yield curves on both sides of the Atlantic declined by 1bp. Lack of important data releases must have lulled investors. Even the worse-than-expected data on German industrial output did not change market valuations. Equities went higher and commodities tried to recover from losses, but these factors did not make yields go up.

On the Polish bond market yields fell c1bp on the belly and long end, similarly to what was observed on the core market. The short end moved 2bp up which might have been the result of market discounting likely higher supply of short term bonds at the nearest switch auction (December 15) after the Ministry of Finance informed about higher average PLN outstanding debt maturity in November. It is also worth to mention the first change of 3M WIBOR for a year (-1bp) despite some rise of longer FRA rates. Just like the day earlier, investors ignored rumours about looming government reshuffle.

Czech bonds remained stable despite suggestions from a Czech central bank board member Vojtěch Benda that another rate hike should be voted in December. Yield of Hungarian 10Y bonds increased by 2bp, on information about a rise of budget deficit in Hungary in November.

We do not exclude a slightly positive reaction of Polish debt on the information about a replacement of the prime minister, apart from that the market should be stable. The morning release from Germany (poor exports growth for October) should not mean much for the market. The US labour market data coming today are unlikely to surprise the market given how close the ADP figure was to market expectations. We are waiting today for a rating review by Fitch, that may come after the markets close. We expect the agency to comment positively on Poland's fiscal performance and to confirm its macroeconomic forecasts for the country that have recently been upgraded.

EURUSD remained fairly stable on Thursday. The difference between the opening and the closing level did not exceed 0.1 cent. The published macro data (German activity figures, final GDP in the Euro zone, US jobless claims) had a negligible impact on the market.

This morning the European Commission and the UK informed about an agreement that allows them to take Brexit negotiations to the second stage (about trade relations). The reaction of the pound was limited so far.

EURPLN declined on Thursday from 4.2150 to 4.2120, and this morning the pair is close to 4.2060. The news about the government change did not influence the market.

EURCZK fell to 25.58 from 25.63 after robust Czech manufacturing data and comment of one central banker saying he will vote for a rate hike in December. The Hungarian forint continued to depreciate vs the euro amid information on higher budget deficit pushing EURHUF to 314.9 from 314.6. USDRUB eased to 59.1 from 59.2 amid rising oil prices.

Today we expect the zloty to hold stable vs the euro in the first part of the day and to gain a bit in the afternoon prior to the Fitch rating review (we do not expect any rating change but the tone of the report should be positive). The US data on non-farm payrolls and Michigan consumer index shall be neutral for the Polish currency.

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FX market

Today's opening

EURPLN	4.2069	CZKPLN	0.1646
USDPLN	3.5833	HUFPLN*	1.3353
EURUSD	1.1740	RUBPLN	0.0604
CHFPLN	3.5964	NOKPLN	0.4301
GBPPLN	4.8388	DKKPLN	0.5653
USDCNY	6.6176	SEKPLN	0.4213

*for 100HUF

Last session in the FX market

07/12/2017

	min	max	open	close	fixing
EURPLN	4.208	4.216	4.213	4.211	4.2115
USDPLN	3.567	3.577	3.572	3.570	3.5722
EURUSD	1.178	1.181	1.179	1.180	-

Interest rate market

07/12/2017

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
DS1019 (2L)	1.65	1	11/23/17	OK0720	1.846
PS0123 (5L)	2.70	1	11/23/17	PS0123	2.704
DS0727 (10L)	3.25	1	11/23/17	DS0727	3.338

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.81	1	1.81	0	-0.26	0
2L	2.04	1	1.98	0	-0.19	0
3L	2.22	1	2.08	0	-0.07	0
4L	2.36	1	2.14	0	0.06	0
5L	2.49	0	2.18	1	0.19	0
8L	2.78	-1	2.29	2	0.58	1
10L	2.94	0	2.36	2	0.79	1

WIBOR rates

Term	%	Change (bps)
O/N	1.51	0
T/N	1.53	2
SW	1.57	0
2W	1.61	0
1M	1.66	0
3M	1.72	-1
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	-1
6x9	1.79	-1
9x12	1.90	0
3x9	1.83	0
6x12	1.88	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.94	-1
France	16	0	0.32	0
Hungary	116	1	1.78	-2
Spain	56	0	1.10	-1
Italy	116	0	1.36	-2
Portugal	99	0	1.50	-1
Ireland	25	-1	0.18	0
Germany	9	1	-	-

* 10Y treasury bonds over 10Y Bunds

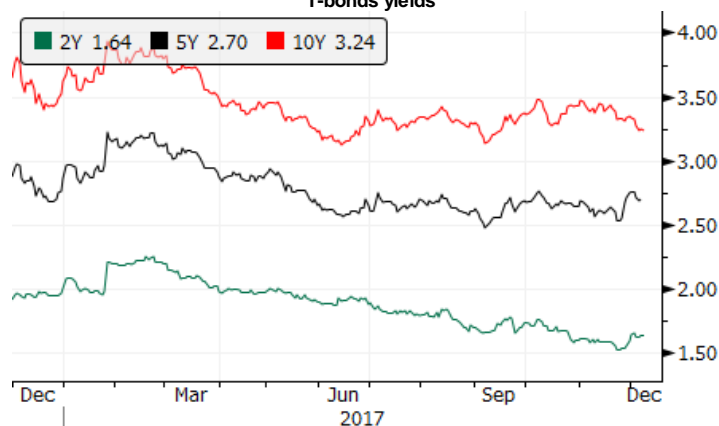
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

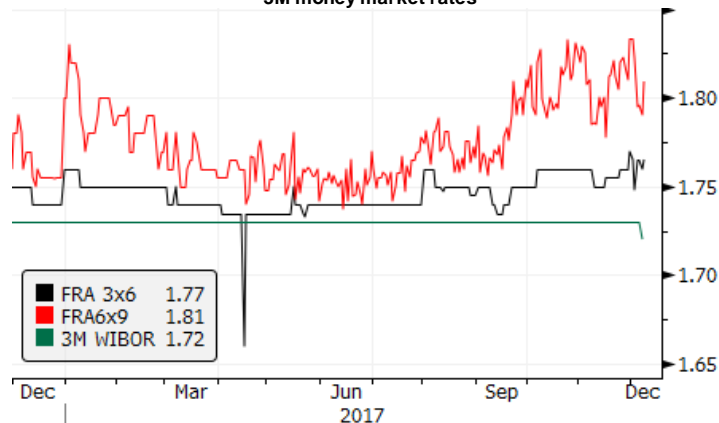
Zloty exchange rate



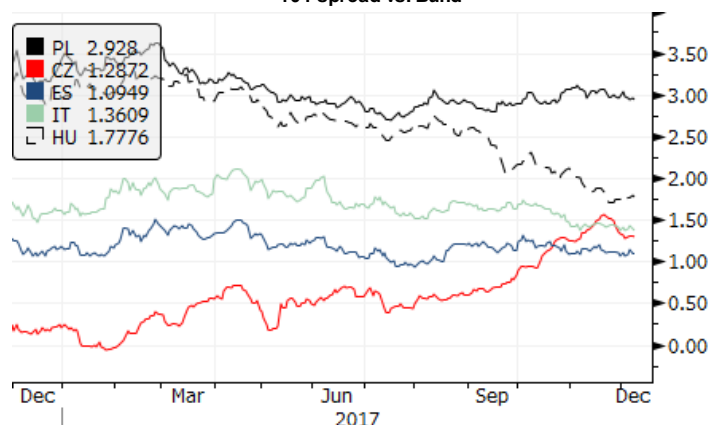
T-bonds yields



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		2.6	2.5
14:30	US	Initial Jobless Claims	Dec-17	k	240		236	238
FRIDAY (8 December)								
	PL	Rating Review						
08:00	DE	Exports SA	Oct	% m/m	1.0		-0.4	-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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