

# EYEOPENER

20 December 2017

## Sales and construction output rise fast

- **Retail sales blooms fueled by durable goods**
- **Zloty gains thanks to strong data**
- **Polish bonds under pressure of higher yields abroad**
- **Koruna and forint stable**
- **Today, EC may take decision on Poland, abroad – US real estate market data**

Yesterday the zloty gained to the euro and the dollar thanks to the better-than-expected data on Polish construction output and retail sales. Polish debt was under pressure of sell-off observed on the core markets. Today, US tax reform may be in focus, as it may finally be enacted.

Polish industrial output rose in November by 9.1% y/y, slightly below expectations (market consensus at 9.6% y/y, our forecast at 10.1% y/y). Most considerable growth was recorded in export-oriented sectors as strong momentum in industry is driven by strong demand from Germany and European Union in general and we expect it to continue its upward trend in the months to come, given positive economic outlook for Europe. Construction rose by 19.8% y/y in November, strongly beating the consensus at 14.1% y/y and our forecast at 11.2% y/y. Strong rebound in civil engineering (24.6% y/y) may be a proof of a further rebound in investments in 4Q17. Retail sales rose in November by 8.8% y/y, way above market expectations (6.4% y/y) and our forecast (7.1% y/y). The upward surprise was delivered by a spike in sales of durables: cars (15.9% y/y) and electronic home appliances and furniture (14.8% y/y). These numbers support our forecast that the economic growth will remain rapid in the quarters to come, at c4.8% y/y in 4Q17 and 4.0% in 2018, driven by strong consumption, exports and recovering investment. Data support also our forecast of accelerating consumption of durable goods.

If the last week's information is confirmed, the European Commission may trigger the Article 7 of the EU Treaty against Poland today. In our view, its impact on the financial market should be temporary, as the risk of financial sanctions is still remote.

On Tuesday we observed some rapid changes in the core bonds market. The US and Germany yields rose by 1-6bp, stronger on the long end of the curve (on the German market we observed bigger moves). Simultaneously, we have seen the asset swap spread increases on the German markets as well as yield rises of the Eurozone periphery bonds. It was a consequence of

hawkish remarks of ECB members (Jozef Makuch, Jens Weidmann, Ardo Hansson) and the US tax reform process accelerating. Today in the morning the US Senate approved the tax reform bill but due to procedural reasons it should be voted again in the House of Representatives.

In case of Polish bonds, the curve shifted by 8bp on the long end (more than on the core markets) and 5-6bp on the short end and the belly. IRS rates took the cue from bonds, so the asset swap spread moved only by 2-3bp. Bond sell-off took place after positive data on retail sales and construction output but it seems that the trend on the core markets was more important.

Yields of Czech, Hungarian and Russian 10Y bonds remained fairly stable throughout Tuesday.

Today we expect the domestic yield curve to continue rising, but less than yesterday. This should be supported by low end-of-the-year liquidity and the final vote on the US tax reform. We think that by the end of the year the recent weakness will be corrected.

On Tuesday EURUSD continued to march higher, after opening around 1.178. Weaker-than-expected Ifo temporarily halted this move. At the end of the day the exchange rate was at 1.181. The euro was supported by hawkish comments of three ECB members.

Yesterday, EURPLN continued the down trend that started this Monday which was supported by great results of retail sales along with construction and assembly production. As a result, EURPLN went below 4.20 and this is also the level of today's opening. By the end of the week/year, we do not expect any further drops of EURPLN and we assume that the exchange rate will remain close to 4.20.

During the first part of the day, EURCZK dropped to 25.60, the level from the first half of the previous week. However, during the second part of the day the morning move was reversed.

EURHUF dropped from 313.50 to 312.90 during the day. The meeting of Hungarian Central Bank had no significant impact on the forint.

USDRUB rose from 58.60 to 58.80 following weaker retail sales data (2.7% y/y vs. consensus at 3.3%). Information about faster growth of wages did not prevent the decreasing trend.

This week, we published a special issue of MACROscope: [Outlook for 2018](#), where we present our 2018 projections for the economy, interest rates and FX.

### ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40  
 email: [ekonomia@bzwbk.pl](mailto:ekonomia@bzwbk.pl) Web site: [skarb.bzwbk.pl](http://skarb.bzwbk.pl)  
 Piotr Bielski +48 22 534 18 87  
 Marcin Luziński +48 22 534 18 85  
 Grzegorz Ogonek +48 22 534 19 23  
 Konrad Soszyński +48 22 534 18 86  
 Marcin Sulewski +48 22 534 18 84

### TREASURY SERVICES:

Poznań +48 61 856 5814/30  
 Warszawa +48 22 586 8320/38  
 Wrocław +48 71 369 9400

## FX market

## Today's opening

EURPLN	4.2027	CZKPLN	0.1636
USDPLN	3.5501	HUFPLN*	1.3430
EURUSD	1.1838	RUBPLN	0.0605
CHFPLN	3.6033	NOKPLN	0.4247
GBPPLN	4.7539	DKKPLN	0.5646
USDCNY	6.5926	SEKPLN	0.4226

\*for 100HUF

## Last session in the FX market

19/12/2017

	min	max	open	close	fixing
EURPLN	4.196	4.211	4.203	4.201	4.2011
USDPLN	3.548	3.573	3.565	3.552	3.5583
EURUSD	1.178	1.183	1.179	1.183	-

## Interest rate market

19/12/2017

## T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
DS1019 (2L)	1.72	5	11/23/17	OK0720	1.846
PS0123 (5L)	2.71	6	11/23/17	PS0123	2.704
DS0727 (10L)	3.31	7	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	1.89	2	-0.27	0
2L	2.04	3	2.07	3	-0.18	1
3L	2.22	4	2.16	4	-0.03	2
4L	2.37	5	2.23	6	0.11	4
5L	2.50	5	2.27	7	0.26	4
8L	2.78	5	2.39	8	0.62	5
10L	2.94	6	2.45	8	0.85	6

## WIBOR rates

Term	%	Change (bps)
O/N	1.42	4
T/N	1.46	6
SW	1.59	0
2W	1.60	-1
1M	1.65	0
3M	1.72	0
6M	1.81	0
9M	1.82	0
1Y	1.85	0

## FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.73	0
3x6	1.75	0
6x9	1.80	2
9x12	1.89	1
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			2.94	8
France	17	-1	0.33	0
Hungary	116	1	1.64	-1
Spain	54	-1	1.10	0
Italy	115	0	1.53	0
Portugal	95	2	1.42	-1
Ireland	25	-1	0.19	7
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		INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE
CET					MARKET	BZWBK		
FRIDAY (15 December)								
11:30	PL	Bond Switch Auction			-			
15:15	US	Industrial Production	Nov	% m/m	0.3	-	0.2	1.2
MONDAY (18 December)								
11:00	EZ	HICP	Nov	% y/y	1.5	-	1.5	1.5
14:00	PL	Employment in corporate sector	Nov	% y/y	4.4	4.3	4.5	4.4
14:00	PL	Average Gross Wages	Nov	% y/y	6.9	7.0	6.5	7.4
TUESDAY (19 December)								
10:00	DE	IFO Business Climate	Dec	pts	-	-	117.2	117.5
14:00	HU	Central Bank Rate Decision	Dec-17	%	0.9	-	0.9	0.9
14:00	PL	Sold Industrial Output	Nov	% y/y	9.6	10.1	9.1	12.3
14:00	PL	Construction Output	Nov	% y/y	14.1	11.2	19.8	20.3
14:00	PL	PPI	Nov	% y/y	2.1	1.9	1.8	3.0
14:00	PL	Retail Sales Real	Nov	% y/y	6.4	7.2	8.8	7.1
14:30	US	Housing Starts	Nov	% m/m	-3.1	-	3.3	13.7
WEDNESDAY (20 December)								
16:00	US	Existing Home Sales	Nov	% m/m	0.91	-		2.05
THURSDAY (21 December)								
14:00	PL	MPC minutes	Dec-17		-			
14:30	US	GDP Annualized	3Q	% Q/Q	3.3	-		3.3
14:30	US	Initial Jobless Claims	Dec-17	k	236	-		225
FRIDAY (22 December)								
10:00	PL	Unemployment Rate	Nov	%	6.5	6.6		6.6
14:00	PL	Money Supply M3	Nov	% y/y	-	4.6		5.7
14:30	US	Durable Goods Orders	Nov	% m/m	1.8	-		-0.8
14:30	US	Personal Spending	Nov	% m/m	0.4	-		0.3
14:30	US	Personal Income	Nov	% m/m	0.4	-		0.4
16:00	US	Michigan index	Dec	pts	97.2	-		96.8
16:00	US	New Home Sales	Nov	% m/m	-4.96	-		6.2

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Financial Management Division. Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@bzwbk.pl, http://www.bzwbk.pl.