

# EYEOPENER

9 January 2018

## PLN falls, changes in the government

- **ESI indicators confirm high optimism in the economy**
- **CEE currencies under pressure at the start of the week**
- **Polish bonds stable intraday, some evening losses**
- **Today unemployment rate in the euro zone, government revamp in Poland**

During the first session this week the biggest changes took place on the FX market. Dollar gained, which could have been triggered by the comment of John Williams from the FOMC. The president of the San Francisco Fed said that interest rates may go up three times this year. In his view, the economic growth should be supported by tax cuts, which have finally been approved. On the other hand, Fed member Raphael Bostic said that three rate hikes this year could represent excessive monetary tightening. Yesterday's data from Europe were better than expected but it seems that lots of good news have been already priced in and the new releases have not supported the euro. The negotiations between German parties CDU and SPD about the coalition government and the resulting uncertainty could weigh on the European currency this week. Meanwhile, the strength of the dollar weighed on the emerging market currencies.

Yesterday, the EURUSD rate was falling the second session in a row and at the end of Polish trading hours it oscillated around 1.196. Yesterday's downward move was the biggest daily decline since October. During today's session, we will not receive any important data. The recent good readings from Europe have not managed to strengthen the euro, hence in the forthcoming days EURUSD may slightly fall as a result of profit taking after recent increases. Even today's surprisingly strong data from Germany with industrial production growing in November by 3.4% m/m after dropping by 1.2% and exports growing by 4.1% m/m against market expectations of 1.2%, did not help the euro.

Yesterday, the EURPLN rate rose to 4.17 and it was the biggest daily increase since the end of October. The zloty was also depreciating against the dollar and the USDPLN rate rebounded to 3.48 from 3.44. GBPPLN rebounded to 4.72 from 4.68, while CHFPLN to almost 3.57 from 3.53. The zloty was depreciating despite the fact that stock exchanges indices grew slightly and it seems that the pressure on the domestic currency was exerted by a strong dollar. Other currencies of the region were also losing - EURHUF rebounded to 309 from 308, EURCZK to 25.54 from 25.5, and USDRUB to 57.17 from 56.95. We uphold our view that in the coming weeks the zloty may lose a portion of recent gains.

On the domestic debt market, IRS rates and bonds yields did not change significantly, not responding to the strengthening of core markets and euro zone peripheries bonds. Only the evening slight sell-off of core market bonds pushed the Polish curve up. In the next part of the week, we expect the yields of Polish t-bonds to maintain on the low levels. The high demand for the Polish t-bonds on the last auction suggests good outlook for Polish t-bonds. Some risk for this scenario is connected with the release of US inflation data, which is scheduled for Friday. The MPC press conference on Wednesday, where dovish tone will most likely be maintained, should bring some support for the Polish t-bonds.

The Ministry of Labour said that in December the unemployment rate rose to 6.6% from 6.5% in November, after the number of unemployed rose by 15.4k m/m. This was the smallest December's rise in unemployed since 1994. We expect the unemployment rate to resume the down trend in the months to come while the very beginning of 2018 could see higher rate due to seasonal factors.

All the European Commission's sectoral indices of economic sentiment rose in Poland in December. Such outcome is in line with the improvement registered by the PMI index for this month. Price expectations in the industry did not go up, but new orders were particularly strong, as was the employment component, rising to the strongest level since January 2008. The services sector saw the largest in nine years discrepancy between observed evolution of employment and employment expectations for future months. The construction enterprises were even more preoccupied with labour shortages than a month earlier, at the same time informing about strengthening demand for their services.

Consumer inflation expectations rose for a sixth month running, getting to the highest level since mid-2014, which happened to be the moment when deflation started in Poland. This might mean that households are already cured from the deflationary trauma. Share of respondents expecting inflation to stay unchanged or accelerate surpassed 50%. Some deterioration in assessment of financial situation did not prevent the overall index of consumer confidence from reaching the highest level in almost 10 years. Saving in the upcoming 12 months index was at the all-time high and a notable improvement was recorded in assessment of the overall economic situation. Consumers' optimism translated into a leap of optimism among retail sector enterprises.

Today at 12:00CET new ministers in the Polish government are expected to be announced. Media suggest that Teresa Czerwińska could be nominated for the new minister of finance. Currently she is a deputy finance minister and was responsible for preparing this year's budget.

### 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	4.1751	CZKPLN	0.1635
USDPLN	3.4932	HUFPLN*	1.3516
EURUSD	1.1953	RUBPLN	0.0612
CHFPLN	3.5654	NOKPLN	0.4324
GBPPLN	4.7326	DKKPLN	0.5607
USDCNY	6.5164	SEKPLN	0.4253

\*for 100HUF

## Last session in the FX market

08/01/2018

	min	max	open	close	fixing
EURPLN	4.148	4.174	4.154	4.174	4.1647
USDPLN	3.446	3.487	3.454	3.485	3.4735
EURUSD	1.196	1.205	1.203	1.198	-

## Interest rate market

08/01/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
DS1019 (2L)	1.61	1	1/4/18	OK0720	1.863
PS0123 (5L)	2.53	0	1/4/18	PS0123	2.561
DS0727 (10L)	3.23	0	12/15/17	DS0727	3.209

## IRS on the interbank market\*\*

Term	PL	US	EZ
%	Change (bps)	%	Change (bps)
1L	1.79	1	0
2L	1.98	2	0
3L	2.14	2	0
4L	2.29	2	0
5L	2.42	2	0
8L	2.71	2	0
10L	2.86	2	0

## WIBOR rates

Term	%	Change (bps)
O/N	1.55	0
T/N	1.55	0
SW	1.57	0
2W	1.60	0
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	1.73	0
6x9	1.77	1
9x12	1.85	0
3x9	1.81	0
6x12	1.84	0

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.80	-1
France	17	0	0.36	0
Hungary	116	1	1.50	-1
Spain	51	0	1.04	0
Italy	117	1	1.55	0
Portugal	79	-1	1.43	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

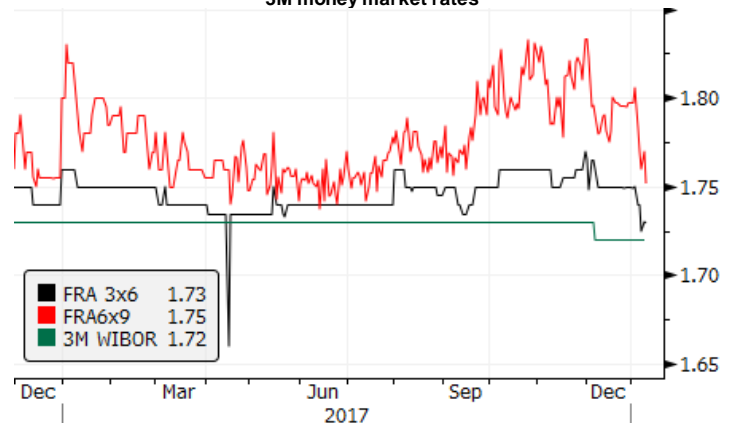
## Zloty exchange rate



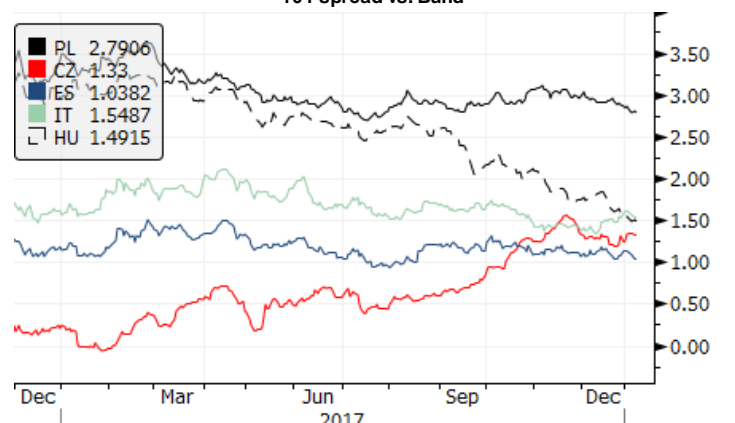
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic calendar

TIME		INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE
CET					MARKET	BZWBK		
FRIDAY (5 January)								
11:00	EZ	Flash HICP	Dec	% y/y	1.4	-	1.4	1.5
14:30	US	Change in Nonfarm Payrolls	Dec	k	190	-	148	252
14:30	US	Unemployment Rate	Dec	%	4.1	-	4.1	4.1
16:00	US	Durable Goods Orders	Nov	% m/m	-	-	1.3	1.3
16:00	US	ISM services	Dec	pts	57.5	-	55.9	57.4
16:00	US	Factory Orders	Nov	% m/m	1.1	-	1.3	0.4
MONDAY (8 January)								
08:00	DE	Factory Orders	Nov	% m/m	0.0	-	-0.4	0.7
09:00	CZ	Industrial Production	Nov	% y/y	5.5	-	8.5	10.5
09:00	HU	Industrial Production SA	Nov	% y/y	7.2	-	3.4	7.6
11:00	EZ	Retail Sales	Nov	% m/m	1.3	-	1.5	-1.1
TUESDAY (9 January)								
08:00	DE	Exports SA	Nov	% m/m	1.2	-	4.1	-0.4
08:00	DE	Industrial Production SA	Nov	% m/m	1.8	-	3.4	-1.2
11:00	EZ	Unemployment Rate	Nov	%	8.7	-		8.8
WEDNESDAY (10 January)								
	PL	Poland Base Rate Announcement		%	1.50	-		1.50
09:00	CZ	GDP SA	3Q	% y/y	5.0	-		5.0
09:00	CZ	CPI	Dec	% y/y	2.4	-		2.6
THURSDAY (11 January)								
11:00	EZ	Industrial Production SA	Nov	% m/m	-	-		0.2
14:30	US	Initial Jobless Claims		k	241	-		245
FRIDAY (12 January)								
09:00	HU	CPI	Dec	% y/y	0.0	-		2.5
14:30	US	CPI	Dec	% m/m	0.2	-		0.4
14:30	US	Retail Sales Advance	Dec	% m/m	0.3	-		0.8

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.