

EYEOPENER

23 January 2018

IMF supported the zloty

- Agreement on US budget
- Business climate in companies improving
- IMF raised global and Poland's GDP growth
- Zloty gained on new IMF forecasts, debt lost a bit
- Today ZEW and M3 money supply

On Monday, Polish stat office released a report showing that sentiment in the corporate sector picked up further after a noticeable improvement seen already in the previous months. Polish debt lost slightly while the zloty gained vs the euro thanks to the new IMF growth forecasts.

The US Senate agreed for a provisional budget which ended the government shutdown that started Saturday.

Poland stat office corporate sentiment indexes showed further improvement in January in main branches. Manufacturing, retail trade and construction recorded the highest orders since 2004 which we think is a signal of a strong upward tendencies in exports, consumption and investment. At the same time, the above mentioned sectors claimed rising difficulties in finding a qualified workforce. We think tensions on the labour market could have a rising impact on capability to service rising orders, particularly in construction where nearly 50% of companies report shortage of workforce.

The International Monetary Fund raised the 2018 GDP growth forecast for European emerging economies to 4.0% from 3.5%. Growth in 2019 is expected to reach 3.8%. This change was mainly the result for Turkish and Polish forecasts upgrades. The IMF raised global economy growth estimates to 3.9% in 2018-19 (by 0.2pp), mainly owing to higher expected growth in the US thanks to the new tax reform.

According to the Ministry of Finance, at the end of December 2017 total Treasury debt fell by PLN7.1bn y/y (-0.8% y/y) to PLN927.9bn. Domestic debt amounted to PLN643.9bn and foreign stood at PLN284bn (30.6% of the total).

EURUSD was falling overnight and in the morning, reaching 1.222 early in the day. During the day the euro was trimming earlier losses in reaction to information about lack of progress in talks about lifting the debt ceiling in the USA. In turn, news about progress in government negotiations in Germany had no

impact on the market during the European trading hours. At the end of the session the EURPLN landed at 1.224.

EURPLN was decreasing throughout the day from 4.172 in the morning to 4.168 in the afternoon. Part of this move was a result of euro strengthening. Very good data about Polish business climate did not have a meaningful market effect. However, the currency seems to have reacted to the release of the new optimistic forecasts of the IMF. Today we expect continuation of zloty appreciation vs the euro as we expect the single currency to gain vs the dollar after ZEW German data.

In case of other currencies in the CEE region, EURCZK was hovering near the Friday afternoon's levels, i.e. 25.4. EURHUF was rising to 309.7 (from 309.2 at the opening) after the unsuccessful 10Y IRS tender by the Hungarian central bank. USDRUB fell to 56.6 after weaker Friday, supported by a rebound in oil prices in the afternoon.

The yield of US Treasuries dropped slightly in the afternoon trading, after a strong rise on Friday. This was a result of worries about the government shutdown. Yields of German bonds followed suit. The US curve decreased by 2 bp, while the German by 1 bp in the 5-10Y segment. The front ends remained stable. Investors in the core markets ignored IMF global growth forecasts upward revision. We still observed the southern Europe yields drop by 3-5 bp, on the long end of the curve (the strongest one in the case of Spanish bonds).

Domestic bonds were fluctuating during the day, with the most considerable moves in the 5-10Y segment. At the end of the day the short and long ends of the curve moved up by 1bp, while the belly increased by 3bp. IRS curve, after moving up during the day, returned to opening level.

Today we expect to see a slight correction on the long end of the curve, with the belly remaining stable and short-term yields possibly decreasing slightly ahead of the Thursday's debt redemption.

Finance minister Teresa Czerwińska told Rzeczpospolita daily that the ministry will "soon" pass to the parliament the draft bill on the employees' capital plans (PPK), which is supposed to support the capital market. Minister also confirmed her earlier comment that the budget deficit in 2017 was below PLN30bn.

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FX market

Today's opening

EURPLN	4.1722	CZKPLN	0.1641
USDPLN	3.4051	HUFPLN*	1.3466
EURUSD	1.2253	RUBPLN	0.0604
CHFPLN	3.5392	NOKPLN	0.4330
GBPPLN	4.7555	DKKPLN	0.5605
USDCNY	6.3995	SEKPLN	0.4239

*for 100HUF

Last session in the FX market

22/01/2018

	min	max	open	close	fixing
EURPLN	4.158	4.190	4.158	4.167	4.1696
USDPLN	3.389	3.415	3.390	3.403	3.4036
EURUSD	1.221	1.228	1.227	1.224	-

Interest rate market

22/01/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
DS1019 (2L)	1.54	1	1/4/18	OK0720	1.863
PS0123 (5L)	2.65	2	1/4/18	PS0123	2.561
DS0727 (10L)	3.32	1	12/15/17	DS0727	3.209

IRS on the interbank market**

Term	PL	US	EZ
%	Change (bps)	%	Change (bps)
1L	1.77	0	-0.26
2L	1.98	0	-0.14
3L	2.16	0	0.04
4L	2.34	0	0.22
5L	2.48	0	0.38
8L	2.76	0	0.77
10L	2.92	1	0.98

WIBOR rates

Term	%	Change (bps)
O/N	1.24	-27
T/N	1.33	-18
SW	1.54	-2
2W	1.59	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	1.75	-1
9x12	1.84	1
3x9	1.81	0
6x12	1.83	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.76	2
France	16	0	0.28	0
Hungary	116	1	1.55	-2
Spain	41	0	0.82	0
Italy	104	0	1.35	0
Portugal	71	0	1.36	0
Ireland	25	-1	0.40	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

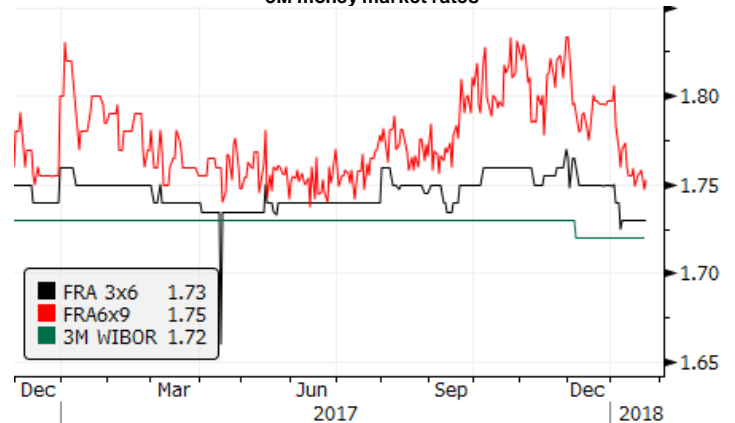
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic calendar								
TIME		INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST
CET	MARKET				BZWBK	VALUE		
FRIDAY (19 January)								
14:00	PL	Sold Industrial Output	Dec	% y/y	3.5	2.2	2.7	9.1
14:00	PL	Construction Output	Dec	% y/y	11.6	10.2	12.7	19.8
14:00	PL	PPI	Dec	% y/y	0.6	0.6	0.3	1.8
14:00	PL	Retail Sales Real	Dec	% y/y	7.7	10.0	5.2	8.8
16:00	US	Michigan index	Jan	pts	97.0	-	94.4	95.9
MONDAY (22 January)								
No important data releases								
TUESDAY (23 January)								
11:00	DE	ZEW Survey Current Situation	Jan	pts	89.9			89.3
14:00	PL	Money Supply M3	Dec	% y/y	4.4	4.2		4.5
WEDNESDAY (24 January)								
09:30	DE	Flash Germany Manufacturing PMI	Jan	pts	63.0			63.3
09:30	DE	Flash Markit Germany Services PMI	Jan	pts	55.6			55.8
10:00	EZ	Flash Eurozone Manufacturing PMI	Jan	pts	60.3			60.6
10:00	EZ	Flash Eurozone Services PMI	Jan	pts	56.4			56.6
10:00	PL	Unemployment Rate	Dec	%	6.5	6.6		6.5
14:00	PL	Stats Office business sentiment	Jan	pts				
16:00	US	Existing Home Sales	Dec	% m/m	-2.32			5.6
THURSDAY (25 January)								
10:00	DE	IFO Business Climate	Jan	pts	117.0			117.2
13:45	EZ	ECB Main Refinancing Rate	Jan-18	%	0.0			0.0
16:00	US	New Home Sales	Dec	% m/m	-7.9			17.5
FRIDAY (26 January)								
11:30	PL	Bond Auction			-			
14:30	US	Durable Goods Orders	Dec	% m/m	0.9			1.3
14:30	US	Advance GDP	4Q	% Q/Q	3.0			3.2

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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