

# EYEOPENER

26 January 2018

## No changes in the ECB

- **No dovish message from the ECB**
- **Zloty stable to euro and weaker to dollar due to rising EURUSD**
- **Yields in Poland and abroad significantly higher**
- **Today bond auction in Poland, important US data**

As anticipated, the ECB did not change the monetary policy parameters yesterday. The refi interest rate is still 0.00%, while the monthly volume of bond purchases is still EUR30bn and the entire programme is expected to continue till September or even longer.

The ECB announcement again focused on the robust increase of economic activity in the Eurozone, which should eventually lead to inflation growing up to the target. Moreover, the ECB repeated that significant support from the monetary policy was still needed. A new message, when compared to the previous announcement, was that changes on the currency market triggered uncertainty about medium-term inflation prospects. It seems that after significant appreciation of the euro witnessed during recent weeks, the market expected a more explicit reference to the situation on the currency market. In effect, only focus on the strengthening of the single currency combined with the still positive economic outlook contributed to the further EURUSD rise during the press conference. Lack of clear "dovish" accents also had an adverse impact on bonds in the core markets and Eurozone peripheries.

Generally, the outcome of the ECB January meeting does not alter the outlook for the Eurozone monetary policy. The first interest rate hike should be expected no earlier than in 2019, after the asset purchase programme ends. Contrary to earlier suggestions, the meeting did not bring the new mode of communication with the markets (in particular the "easing bias" was not abandoned, namely the possibility of extending the QE programme if needed). According to Reuters and Bloomberg, some of the central bankers want to wait until the March meeting with such a move.

EURUSD was hovering just below this year's peak at c1.245 waiting for the ECB statement and press conference. Reserved central bank rhetoric about the euro exchange rate had a meaningful impact on EURUSD pushing it temporarily above 1.253. At the end of the day the exchange rate corrected to c.1.25. Donald Trump supported the dollar saying that finally the US currency will gain and that is wants to see a "strong dollar". In our view, today the down correction of EURUSD may continue. Next to profit taking from the rise observed since the beginning of the week, the US data could support the greenback.

Since the beginning of the day, EURPLN was stable around 4.146 and USDPLN held near 3.34. In the case of the other CEE currencies, koruna and ruble were gaining yet before the ECB press conference. The outcome of the central bank meeting did not have much impact on the region's currencies and EURPLN ended the day close to 4.145. Today we will learn the US data. If they surprise to the upside, EURUSD might fall weighing on the zloty at the end of the week.

On the domestic debt market, IRS rates and yields have risen noticeably, which was driven by ECB rhetoric. The upward move was recorded also in the Eurozone, with periphery moving at a similar scale as Poland and core market posting a bit less pronounced losses. Today the regular bond auction is scheduled in Poland. As we informed yesterday, the lowering of the upper range of offer and the yesterday buyback of WZ0118 (cPLN8,6bn) will cause a fall in nominal marketable debt level in by PLN1.6-2.6bn, which should positively influence on the bond pricing.

URE (Energy Regulatory Office) published the new tariff for the PSG company – the nationwide distribution network operator. The distribution cost will be cut by c7.4%, the tariff should be introduced in the 45 days at the latest, and will apply until the end of the year. In our view, this will translate into fall of gas prices by 2% and this will lower the inflation path by about 0.05pp.

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## FX market

## Today's opening

EURPLN	4.1415	CZKPLN	0.1633
USDPLN	3.3181	HUFPLN*	1.3394
EURUSD	1.2481	RUBPLN	0.0595
CHFPLN	3.5472	NOKPLN	0.4325
GBPPLN	4.7293	DKKPLN	0.5563
USDCNY	6.3218	SEKPLN	0.4222

\*for 100HUF

## Last session in the FX market 25/01/2018

	min	max	open	close	fixing
EURPLN	4.137	4.155	4.153	4.139	4.1493
USDPLN	3.308	3.354	3.352	3.314	3.3376
EURUSD	1.239	1.254	1.239	1.249	-

## Interest rate market 25/01/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.53	-1	1/4/18	OK0720	1.863
PS0123 (5L)	2.69	1	1/4/18	PS0123	2.561
WS0428 (10L)	3.37	4	12/15/17	DS0727	3.209

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	0	2.06	2	-0.26	0
2L	2.04	2	2.28	2	-0.12	1
3L	2.25	3	2.40	2	0.08	4
4L	2.45	4	2.47	2	0.26	3
5L	2.61	6	2.52	2	0.43	4
8L	2.90	6	2.62	1	0.81	3
10L	3.06	6	2.67	0	1.00	2

## WIBOR rates

Term	%	Change (bps)
O/N	1.15	-4
T/N	1.49	24
SW	1.54	0
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	1.76	0
9x12	1.85	-1
3x9	1.82	-1
6x12	1.84	-1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.77	4
France	16	0	0.28	0
Hungary	116	1	1.56	0
Spain	43	2	0.81	2
Italy	98	1	1.36	1
Portugal	66	0	1.30	2
Ireland	25	-1	0.43	1
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

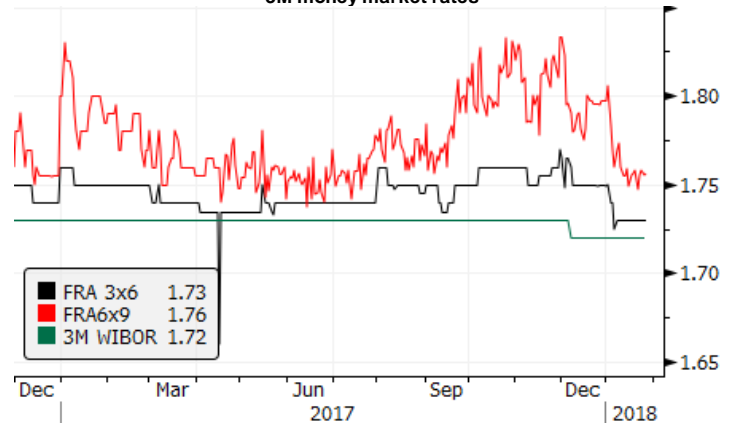
## Zloty exchange rate



## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic calendar								
TIME		INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST
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		95.2	89.3
14:00	PL	Money Supply M3	Dec	% y/y	4.4	4.2	4.6	4.5
WEDNESDAY (24 January)								
09:30	DE	Flash Germany Manufacturing PMI	Jan	pts	63.0		61.2	63.3
09:30	DE	Flash Markit Germany Services PMI	Jan	pts	55.5		57.0	55.8
10:00	EZ	Flash Eurozone Manufacturing PMI	Jan	pts	60.3		59.6	60.6
10:00	EZ	Flash Eurozone Services PMI	Jan	pts	56.4		57.6	56.6
10:00	PL	Unemployment Rate	Dec	%	6.5	6.6	6.6	6.5
14:00	PL	Stats Office business sentiment	Jan	pts				
16:00	US	Existing Home Sales	Dec	% m/m	-1.9		-3.6	5.1
THURSDAY (25 January)								
10:00	DE	IFO Business Climate	Jan	pts	117.0		117.6	117.2
13:45	EZ	ECB Main Refinancing Rate	Jan-18	%	0.0		0.0	0.0
16:00	US	New Home Sales	Dec	% m/m	-7.9		-9.3	15.0
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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