

EYEOPENER

31 January 2018

Polish GDP with another upside surprise

- Risky assets under pressure, US data above forecasts
- Polish GDP was higher-than-expected again
- EURPLN went up, EURUSD not much changed on the day
- Domestic and foreign bond yields slightly down
- Today ADP report in the USA and FOMC decision

Yesterday's session on the global market was pretty volatile. European stock indices were falling by c1% which proved positive for bonds. However, debt gave up part of gains until the end of the day after strong US consumer confidence data for January were released in the afternoon. The reading did not affect the dollar but was negative for CEE currencies. An additional volatility was triggered by the speech of US president in the Congress, but this event caused no lasting effect on the markets and supported the dollar only temporarily.

Full-year flash GDP data for Poland showed 2017 economic growth at 4.6%, beating market expectations and our forecast, both at 4.5%, up from 2.9% in 2016. Fixed investments recovered by 5.4% after 7.9% decline in 2016. Private consumption at 4.8% was in line with expectations. This release gave us important insight about economic performance in 4Q17. It looks like this was another quarter of stronger-than-expected growth. Implied 4Q17 GDP growth is slightly above 5.0% y/y (assuming no revisions of 1-3Q data) and we expected 4.8% y/y ahead of the release. Fixed investments most likely rose 11.8% y/y which is quite a rebound from 3.3% in 3Q. The improvement came together with a substantial decrease in inventories. Private consumption seems to have grown close to 5% y/y in 4Q judging by its full-year figure, but this was widely expected. Contribution of net exports was near to neutral. We are expecting the economic climate to stay positive in 2018 as well which is also the message from January ESI indices of business sentiment. Find more about yesterday's GDP data in our [Instant comment](#).

EURUSD rebounded yesterday to 1.245 from 1.234 on the wave of correction of recent market developments. Even though ESI indices released by the European Commission confirmed some deterioration of optimism in January (and this was also visible in some flash PMIs), the euro did not lose on that. The euro was gaining against the dollar prior to the Donald Trump's speech, but later this move was reversed. Given a

broader context, EURUSD remains slightly below this year's peak at 1.254 set last week. Today is the last FOMC meeting chaired by Janet Yellen. Message of the statement can affect the trade in the short-term. Until the end of the week, Friday US labour market statistics may also prove important.

Yesterday EURPLN was hovering for a better part of the session in 4.14-4.15 range. Data on higher-than-expected GDP growth in Poland in 2017 caused only a temporary downward move, towards the lower band of the yesterday's trading range, while stronger consumer confidence in the US (Conference Board) pushed the rate to 4.16. USDPLN fell temporarily to 3.33 from 3.36 under impact of rising EURUSD, but was close to 3.34 at the end of the day. As regards other CEE currencies, the forint lost versus the euro, the koruna was stable awaiting the central bank decision on Thursday, while the ruble gained versus the dollar temporarily.

Hungarian central bank left interest rates unchanged and repeated that loose monetary conditions will be maintained for a sustainable period of time in order to help inflation reach the target. The outcome of the meeting did not affect the forint.

Over the day, on the domestic market, IRS rates and bond yields were decreasing. They followed the correction seen on the core markets despite the domestic GDP data release (which beat the forecasts). Yesterday Polish debt was performing better than Bunds and US Treasuries as well as bonds of the euro zone periphery. However, the Polish bonds let go of a part of the earlier gains (just like core bonds) as a reaction to Conference Board consumer confidence reading.

The ESI indices for Poland confirmed strong improvement of mood in manufacturing and services (visible also in the Polish Stats Office indicators). It was the 17. month of improvement of sentiment in the construction sector, this time mainly thanks to the higher level of current production trend index. In this sector, we also observed a rise of price expectations as well as rising shortage of labour index. The consumer confidence index reached a positive level for the first time in the survey history (ie since 2001), fueled by further improvement of current financial condition assessment and the rise of general economic assessment. The inflation expectations have scaled back a bit however.

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FX market

Today's opening

EURPLN	4.1532	CZKPLN	0.1640
USDPLN	3.3385	HUFPLN*	1.3366
EURUSD	1.2441	RUBPLN	0.0594
CHFPLN	3.5823	NOKPLN	0.4340
GBPPLN	4.7325	DKKPLN	0.5581
USDCNY	6.2975	SEKPLN	0.4245

*for 100HUF

Last session in the FX market

30/01/2018

	min	max	open	close	fixing
EURPLN	4.140	4.165	4.141	4.156	4.1461
USDPLN	3.327	3.363	3.347	3.350	3.3442
EURUSD	1.234	1.245	1.237	1.241	-

Interest rate market

30/01/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.72	0	1/26/18	OK0720	1.823
PS0123 (5L)	2.75	0	1/26/18	PS0123	2.665
WS0428 (10L)	3.54	0	1/26/18	WS0428	3.446

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	-1	2.08	0	-0.26	0
2L	2.05	-1	2.31	-1	-0.12	0
3L	2.29	-1	2.44	-1	0.08	-1
4L	2.52	-2	2.52	-1	0.29	-1
5L	2.70	-1	2.57	-1	0.47	-1
8L	3.00	-2	2.68	0	0.87	-1
10L	3.15	-1	2.73	0	1.07	0

WIBOR rates

Term	%	Change (bps)
O/N	1.36	47
T/N	1.41	13
SW	1.55	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	1.76	0
9x12	1.86	0
3x9	1.82	0
6x12	1.84	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.87	1
France	17	0	0.28	0
Hungary	116	1	1.63	1
Spain	42	1	0.72	0
Italy	98	1	1.34	-1
Portugal	66	0	1.26	-1
Ireland	25	-1	0.43	0
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

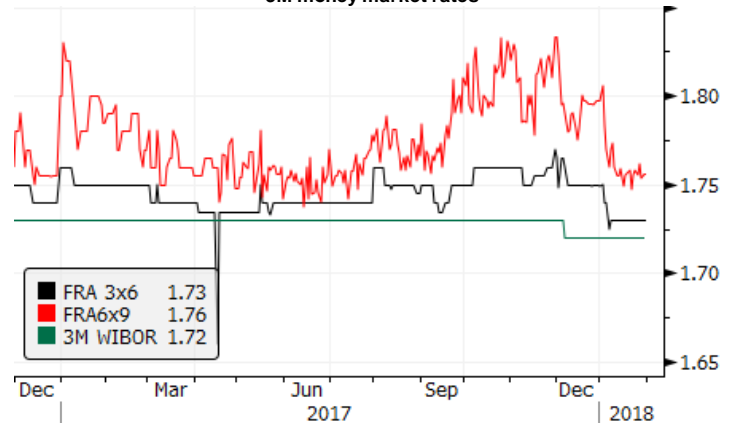
Zloty exchange rate



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 (26 January)								
11:30	PL	Bond Auction			-			
14:30	US	Durable Goods Orders	Dec	% m/m	0.8		2.9	1.3
14:30	US	GDP Annualized	4Q	% Q/Q	3.0		2.6	3.2
MONDAY (29 January)								
14:30	US	Personal Spending	Dec	% m/m	0.45		0.4	0.6
14:30	US	Personal Income	Dec	% m/m	0.3		0.4	0.3
TUESDAY (30 January)								
10:00	PL	GDP	2017	% y/y	4.5	4.5	4.6	2.9
11:00	EZ	GDP SA	4Q	% y/y	2.7		2.7	2.8
14:00	HU	Central Bank Rate Decision	Jan-18	%	0.9		0.9	0.9
16:00	US	Conference Board index	Jan	pts	123.0		125.4	123.1
WEDNESDAY (31 January)								
11:00	EZ	Flash HICP	Jan	% y/y	1.2		-	1.4
11:00	EZ	Unemployment Rate	Dec	%	8.7		-	8.7
14:15	US	ADP report	Jan	k	183		-	250
16:00	US	Pending Home Sales	Dec	% m/m	0.5		-	0.2
20:00	US	FOMC decision	Jan-18		1.5		-	1.5
THURSDAY (1 February)								
09:00	PL	Poland Manufacturing PMI	Jan	pts	55.2	55.4	-	55.0
09:55	DE	Germany Manufacturing PMI	Jan	pts	61.2		-	61.2
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	59.6		-	59.6
13:00	CZ	Central Bank Rate Decision	Feb-18		0.75		-	0.5
14:30	US	Initial Jobless Claims	Jan-18	k	235.0		-	233.0
16:00	US	ISM manufacturing	Jan	pts	58.95		-	59.7
FRIDAY (2 February)								
14:30	US	Change in Nonfarm Payrolls	Jan	k	187.5		-	148.0
14:30	US	Unemployment Rate	Jan	%	4.1		-	4.1
16:00	US	Michigan index	Jan	pts	95.0		-	94.4
16:00	US	Factory Orders	Dec	% m/m	0.5		-	1.3

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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