

EYEOPENER

6 February 2018

Equities down, bonds up

- Further global rise of risk aversion
- Equities showed serious declines, bonds strengthened
- The złoty was so far resilient to global turmoil
- Today the Polish MPC meeting starts

The beginning of the week was very volatile on the global market. Stocks remained under the selling pressure and lower risk appetite had a positive impact on core and euro zone bonds. The US equities suffered the biggest drop of indexes in six years. The sell-off was continued also during the Asian session. After the Friday's better-than-expected US monthly jobs report, yesterday the services ISM rose more than anticipated, reaching its fresh all-time high. German factory orders released today in the morning also beat expectations. Robust economic growth outlook in the global major economies give hope that the plunge on the global equity market will not be deep and long-lasting. However, in the short-term one should remain cautious given the high speed of changes. High global risk aversion could hit emerging market assets today.

According to the NBP survey among credit officers, in 4Q17 lending criteria for companies were moderately tightened. This was the fourth quarter in a row of criteria tightening for housing loans and the seventh in case of consumer loans. Banks saw an improvement in SME demand for long-term loans and in demand for consumer loans (for the fourth time in a row). Demand for the housing market deteriorated. These results can be called surprising due to a few factors. Despite very good economic performance, there is a high share of banks pointing to a growing industry-specific risks (construction) and a significant rise of risk for some clients. In question regards loans for private persons there is a high share of answers pointing to risks relevant to the future economic situation (the highest since 2012). Housing loans criteria were tightened due to lower retirement age, negatively affecting the creditworthiness. For the third quarter in a row, banks recorded a major rise in demand for investment loans as well as for higher working capital and inventory financing. The report also noted wide rise in demand for loans related to EU-financing projects. Consumers reported higher needs for loans to finance purchases of durables. All the surveyed banks recorded higher demand for consumer loans and a positive impact of expanded mobile credit offer.

FX market

Yesterday, EURUSD was declining since the opening of the session and USD appreciation got even faster as the USA opened. Friday's strong data from the labour market, higher demand for safe assets and strengthening of US bonds at the beginning of the week had a positive impact on the USD. As an effect, at the end of domestic trading hours the exchange rate was close to 1.24 (and today morning went slightly below this level). Today, no important data will be published and so domestic trading will remain under the global sentiment. If the downward trend in equity markets continues, the dollar may gain even more.

EURPLN fell to 4.14 from 4.16 despite dollar strengthening on the global market and sharp plunge of the equity stock indexes. It seems that capital inflow on the Polish debt market (where yields fell) might have supported the złoty. USDPLN remained stable around 3.34. We think that in the longer run the Polish currency will not resist the risk aversion persisting on the global market. Additionally, we think that tomorrow the MPC rhetoric will be dovish which could also generate an upside pressure on EURPLN.

In the case of other CEE currencies, HUF remained stable vs EUR, CZK gained vs EUR, RUB lost against the dollar which saw widespread gains yesterday.

Debt markets

On the domestic debt market, the IRS curve was shifted down parallelly by 3-5 bp, while the bond yield curve flattened as a result of long end decline. Polish 10Y treasury behaved like its German and euro zone periphery equivalents and much better than long end of the US curve. We think that last yield increases were too fast and could soon attract more bond demand. Moreover, we think the Polish debt would be supported by dovish MPC rhetoric on the Wednesday's conference. In the short term, the risk aversion can however act against the strengthening of Polish bonds.

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FX market

Today's opening

EURPLN	4.1585	CZKPLN	0.1649
USDPLN	3.3558	HUFPLN*	1.3408
EURUSD	1.2392	RUBPLN	0.0586
CHFPLN	3.5951	NOKPLN	0.4281
GBPPLN	4.6845	DKKPLN	0.5586
USDCNY	6.2846	SEKPLN	0.4211

*for 100HUF

Last session in the FX market

05/02/2018

	min	max	open	close	fixing
EURPLN	4.142	4.171	4.170	4.150	4.1585
USDPLN	3.333	3.362	3.346	3.339	3.3375
EURUSD	1.240	1.248	1.246	1.243	-

Interest rate market

05/02/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.72	-1	1/26/18	OK0720	1.823
PS0123 (5L)	2.77	0	1/26/18	PS0123	2.665
WS0428 (10L)	3.52	-3	1/26/18	WS0428	3.446

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.79	1	2.11	0	-0.27	0
2L	2.05	-1	2.35	-1	-0.12	0
3L	2.31	-2	2.50	-2	0.08	-1
4L	2.53	-3	2.60	-2	0.29	-1
5L	2.71	-4	2.66	-1	0.47	-2
8L	3.02	-2	2.80	0	0.90	-2
10L	3.15	-3	2.86	0	1.11	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.56	1
T/N	1.56	1
SW	1.55	0
2W	1.59	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	1
3x6	1.73	0
6x9	1.75	0
9x12	1.85	2
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			2.82	0
France	17	1	0.26	0
Hungary	116	1	2.02	3
Spain	45	2	0.74	2
Italy	99	4	1.32	3
Portugal	67	4	1.32	3
Ireland	25	-1	0.41	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

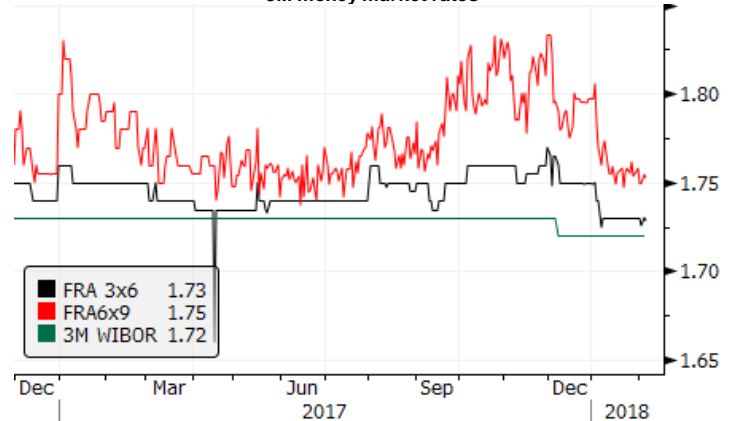
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic Calendar					FORECAST		ACTUAL	LAST
TIME	INDICATOR		PERIOD		MARKET	BZWBK	VALUE	VALUE
CET								
FRIDAY (2 February)								
14:30	US	Change in Nonfarm Payrolls	Jan	k	180.0		200.0	148.0
14:30	US	Unemployment Rate	Jan	%	4.1		4.1	4.1
16:00	US	Michigan index	Jan	pts	95.0		95.7	94.4
16:00	US	Durable Goods Orders	Dec	% m/m	0.0		2.8	2.9
16:00	US	Factory Orders	Dec	% m/m	1.5		1.7	1.3
MONDAY (5 February)								
02:45	CH	Caixin China PMI Services	Jan	pts	53.5		54.7	53.9
09:55	DE	Markit Germany Services PMI	Jan	pts	57.0		57,3	57.0
10:00	EZ	Eurozone Services PMI	Jan	pts	57.6		58,0	57.6
11:00	EZ	Retail Sales	Dec	% m/m	-1.0		-1,1	2.0
16:00	US	ISM services	Jan	pts	56.5		59,9	56.0
TUESDAY (6 February)								
08:00	DE	Factory Orders	Dec	% m/m	0.7		3.8	-0.1
09:00	CZ	Industrial Production	Dec	% y/y	3.65		2.7	8.5
WEDNESDAY (7 February)								
	PL	Poland Base Rate Announcement		%	1.5	1.5	-	1.5
08:00	DE	Industrial Production SA	Dec	% m/m	-0.5		-	3.4
09:00	HU	Industrial Production SA	Dec	% y/y	5.05		-	3.4
THURSDAY (8 February)								
08:00	DE	Exports SA	Dec	% m/m	-1.0		-	4.1
11:30	PL	Bond Auction			-			
14:30	US	Initial Jobless Claims	Feb-18	k	232.0		-	230.0
FRIDAY (9 February)								
No important events								

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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