

# EYEOPENER

9 February 2018

## Equity sell-off hitting the zloty

- **Stock markets go down again**
- **Zloty weakened versus main currencies, most significantly versus the pound in reaction of Bank of England rhetorics**
- **Yields in Poland and abroad up thanks to hawkish signals from the BoE, but the equity sell-off halted the correction**
- **No important data releases today**

This Thursday, the market was once again swept with a wave of pessimism. Stocks, bonds and commodities were all under pressure. GBP was subject to the largest fluctuations as compared with other currencies. Yesterday, the Bank of England (BoE) did not change the interest rates but investors focused on the speech of the bank's Governor whose opinion is that normalisation of the monetary policy can proceed faster than previously expected. As a result, hawkish overtone from the BoE had a positive impact on GBP and a negative impact on bonds in the base markets. Another spark that triggered higher yields resulted from publication of US data, where the number of initial jobless claims was lower than expected in the previous week. However, the most important changes in the markets happened after closing of the European session. In the US stock exchange, main indices decreased significantly (-3.8%). As an effect, the scale of sell-off has reached 10% since January's peak. This indicated that the stock exchange enters correction stage and fuelled concerns about further drops. The wave of sell-offs has also swept over Asian stock exchanges.

At night the US Senate approved the 2-year budget accord, but the vote has been delayed by a Republican senator, which led to a second government shutdown in the course of the last three weeks.

### FX market

EURUSD declined to almost 1.22 during the day, but in the second part of the session the euro was on the rise. As a consequence, at the end of the trading hours in Poland the fx pair was close to 1.225 and this morning it is at 1.227. Today

there are no events scheduled, so EURUSD will be reacting to shifts in market sentiment. Continuation of equity sell-off and rise of risk aversion work in favour of the dollar, on the other hand the shutdown of the US administration should put a negative pressure on USD. What will come out of this may be a relatively stable behavior of the pair.

EURPLN has been hovering near 4.17 for a long time and only at the end of the day zloty started depreciating more clearly, reaching the session's high at 4.18. During the night the move gained momentum and the EURPLN temporarily breached 4.19, retreating to 4.182 this morning. The pressure on the zloty came from the sell-off in global equities and bonds. USDPLN was hovering near 3.40. After the yesterday's move the recent correction in the downward trend of EURPLN is already the biggest since October. Other currencies in the region also weakened, especially after the end of European trading hours. The end of the week is likely to see continuation of pressure on CEE currencies due to negative sentiment on global markets. There are no important events or data releases in today's agenda that could affect the market moods significantly.

### Debt market

On the domestic interest rate market Thursday saw a sharp rise of yields and IRS. The trigger came from abroad where core and euro zone peripheral bonds were under pressure of Bank of England hawkish rhetoric. In Poland, the bond curve moved 2-7bp up, by most in the long end. The short end of the IRS curve stayed flat while belly and long end moved 3-4bp up. Later in the afternoon the core debt started to recover as the sell-off on the equity market intensified. Elevated risk aversion may keep Polish rates high.

Yesterday's bond auction was pretty successful. The Ministry of Finance sold debt for PLN5bn (at the upper end of the planned supply) amid total demand at PLN8.65bn. WZ1122 and PS0123 attracted the biggest interest. The Ministry informed that after the auction it has covered 43% of this year's gross borrowing needs.

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## FX market

## Today's opening

EURPLN	4.1828	CZKPLN	0.1650
USDPLN	3.4075	HUFPLN*	1.3437
EURUSD	1.2275	RUBPLN	0.0586
CHFPLN	3.6330	NOKPLN	0.4283
GBPPLN	4.7636	DKKPLN	0.5620
USDCNY	6.3037	SEKPLN	0.4202

\*for 100HUF

## Last session in the FX market 08/02/2018

	min	max	open	close	fixing
EURPLN	4.163	4.190	4.167	4.190	4.1733
USDPLN	3.389	3.424	3.396	3.420	3.4119
EURUSD	1.221	1.230	1.227	1.225	-

## Interest rate market

08/02/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.74	1	2/8/18	OK0720	1.813
PS0123 (5L)	2.80	4	2/8/18	PS0123	2.772
WS0428 (10L)	3.56	5	2/8/18	WS0428	3.515

## IRS on the interbank market\*\*

Term	PL %	PL Change (bps)	US %	US Change (bps)	EZ %	EZ Change (bps)
1L	1.77	0	2.13	1	-0.26	0
2L	2.03	-1	2.35	0	-0.12	0
3L	2.30	0	2.48	-1	0.07	-1
4L	2.52	0	2.57	-1	0.28	-1
5L	2.69	0	2.63	0	0.48	0
8L	3.00	2	2.77	0	0.91	0
10L	3.16	2	2.84	1	1.12	2

## WIBOR rates

Term	%	Change (bps)
O/N	1.55	-1
T/N	1.56	0
SW	1.55	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	1.72	0
3x6	1.73	0
6x9	1.77	2
9x12	1.84	1
3x9	1.82	0
6x12	1.83	0

## Measures of fiscal risk

Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.81	5
France	16	-1	0.24	0
Hungary	116	1	1.86	1
Spain	46	0	0.70	2
Italy	97	-1	1.25	2
Portugal	64	-1	1.28	2
Ireland	25	-1	0.37	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

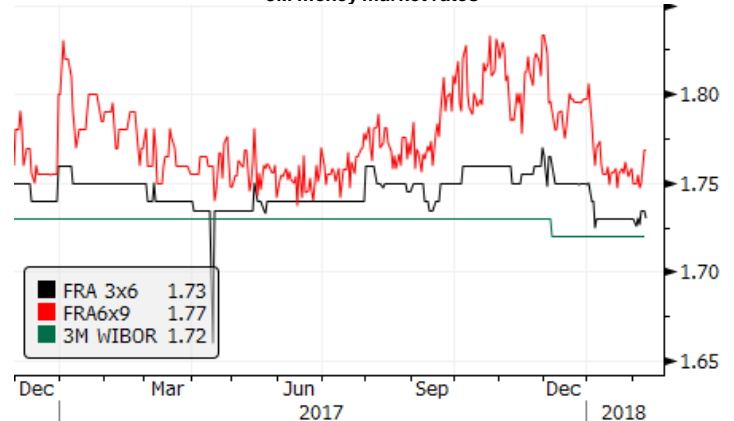
## Zloty exchange rate



## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic Calendar					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		%	1.50	1.50	1.50	1.50
08:00	DE	Industrial Production SA	Dec	% m/m	-0.7	-	-0.6	3.4
09:00	HU	Industrial Production SA	Dec	% y/y	5.05	-	4.5	3.6
THURSDAY (8 February)								
08:00	DE	Exports SA	Dec	% m/m	-1.0	-	0.3	4.1
11:30	PL	Bond Auction						
14:30	US	Initial Jobless Claims	week	k	232	-	221	230
FRIDAY (9 February)								
No important events								

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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