

# EYEOPENER

12 February 2018

## A ray of hope

- Rebound of US stocks late on Friday
- Zloty started to regain lost ground
- Yields in Poland and abroad went slightly lower
- Today Polish Stats Office data on trade balance

Friday saw a continuation of equity sell-off during the European trading time, despite lack of important data releases. However, its scale was lower than previously. The sell-off was accompanied by some falls in core yields (mostly on the longer end of the curve). CEE currencies including the zloty lost. In the evening, the situation changed drastically with S&P500 rising by 1.5%. At the same time, the dollar lost and this supported the EM currencies, as well as commodities like oil, gold and copper. Additionally, positive moods carried into the Asian session. This gives some hope that the strong correction of the last weeks will end soon. This development could be supported by Wednesday inflation release in the USA, as long as it lowers investors' worries about Fed monetary tightening.

### FX market

At the end of the week, EURUSD continued to fall, fueled by sell-off of risky assets. As a result, in the afternoon EURUSD almost touched 1.220 (the lowest level in almost two weeks) after starting at 1.228. This morning we are back at Friday's opening.

At the end of the week, EURPLN continued to rise amid higher volatility driven by falling stock prices and high risk aversion. As a result, EURPLN closed at 4.195 (its highest since turn of year) hitting 4.203 intraday (last time seen in mid-December) vs 4.184 at the beginning of the session. Since Friday evening, however, the whole upside move was reversed. USDPLN also moved up on Friday fueled by dollar appreciation on the global market and the exchange rate reached 3.423 (its highest since mid-January).

The other CEE currencies were also under pressure, EURCZK climbed to 25.39 rebounding after the significant fall seen in January. The Friday's move might have been driven by minutes from the last Czech central bank meeting – the document showed that officials discussed slowing the pace of rate hikes. EURHUF also rose, reaching the session peak at 312.4 (its highest since December). USDRUB advanced although at the slower pace than in the previous days. The upward trend was

supported by falling oil prices and a rate cut by the Russian central bank to 7.50% from 7.75% (and suggestion that more cuts are coming). As a result, USDRUB reached 58.5, but today the ruble is the best CEE performer vs the dollar so far.

Today we expect some short-lived correction after a recent rise in EURPLN. In the days to come, we expect EURUSD to fall (amid expectations for strong US data, but bear in mind our remark about Wednesday CPI) which may generate an upside pressure on EURPLN.

### Debt market

On Friday yields were falling on core debt markets. Yield curves in 5-10Y segment dropped by 2bp on both sides of the Atlantic. As regards the short end of the curve, US yields fell more, by 6bp, while German ones by almost 2bp. Those declined were fuelled by continuing selloff in the equity markets.

Domestic yield curve was hovering in a quite wide range (c.5bp in 10Y segment), ending the day 2bp below opening level in the belly and long end of the curve and at roughly unchanged level in the short end. Bigger moves were observed on IRS curve, where the belly slid by 4bp.

Today we expect a slight rebound on the domestic yield curve. The expected deceleration of selloff in the stock markets and lack of important data releases abroad (in Poland only foreign trade data from GUS) should help yields to drop a little bit at the long end and in the belly of the curve. In the next days we expect to see upward move again, yet temporary.

### This week

This week numerous Polish and US data will be released. On the domestic side, it seems that the January inflation could be most important release for the market. We expect CPI decelerated to 1.8% y/y while yet in November it was at its 2.5% y/y target. Such figure could strengthen the dovish message sent by the MPC and weigh on the zloty and support bonds.

Global trends will likely remain important drivers for Polish assets. Continuation of sell-off on the equity market may back the dollar, implying more negative pressure on the zloty.

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**FX market**

**Today's opening**

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.1854 | CZKPLN  | 0.1651 |
| USDPLN | 3.4131 | HUFPLN* | 1.3405 |
| EURUSD | 1.2263 | RUBPLN  | 0.0587 |
| CHFPLN | 3.6344 | NOKPLN  | 0.4290 |
| GBPPLN | 4.7184 | DKKPLN  | 0.5622 |
| USDCNY | 6.3264 | SEKPLN  | 0.4218 |

\*for 100HUF

**Last session in the FX market 09/02/2018**

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.181 | 4.203 | 4.190 | 4.187 | 4.2024 |
| USDPLN | 3.405 | 3.437 | 3.420 | 3.417 | 3.4263 |
| EURUSD | 1.221 | 1.229 | 1.225 | 1.225 | -      |

**Interest rate market 09/02/2018**

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

| Benchmark (term) | %    | Change (bps) | Last auction | Paper offered | Average yield |
|------------------|------|--------------|--------------|---------------|---------------|
| PS0420 (2L)      | 1.73 | 0            | 2/8/18       | OK0720        | 1.813         |
| PS0123 (5L)      | 2.80 | 0            | 2/8/18       | PS0123        | 2.772         |
| WS0428 (10L)     | 3.56 | 0            | 2/8/18       | WS0428        | 3.515         |

**IRS on the interbank market\*\***

| Term | PL   |              | US   |              | EZ    |              |
|------|------|--------------|------|--------------|-------|--------------|
|      | %    | Change (bps) | %    | Change (bps) | %     | Change (bps) |
| 1L   | 1.77 | 0            | 2.13 | 0            | -0.26 | 0            |
| 2L   | 2.03 | 0            | 2.33 | -2           | -0.13 | -1           |
| 3L   | 2.28 | -2           | 2.45 | -3           | 0.07  | 0            |
| 4L   | 2.50 | -2           | 2.54 | -3           | 0.29  | 0            |
| 5L   | 2.67 | -2           | 2.61 | -2           | 0.48  | 0            |
| 8L   | 2.98 | -2           | 2.75 | -2           | 0.91  | 1            |
| 10L  | 3.14 | -1           | 2.82 | -2           | 1.12  | 0            |

**WIBOR rates**

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 1.55 | 0            |
| T/N  | 1.55 | -1           |
| 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  | 1.75 | -2           |
| 9x12 | 1.83 | -1           |
| 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   |            |              | 2.80        | -2           |
| France   | 17         | 1            | 0.24        | 0            |
| Hungary  | 116        | 1            | 1.74        | -2           |
| Spain    | 50         | 4            | 0.70        | -3           |
| Italy    | 103        | 6            | 1.27        | -3           |
| Portugal | 68         | 4            | 1.32        | -2           |
| Ireland  | 25         | -1           | 0.40        | 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

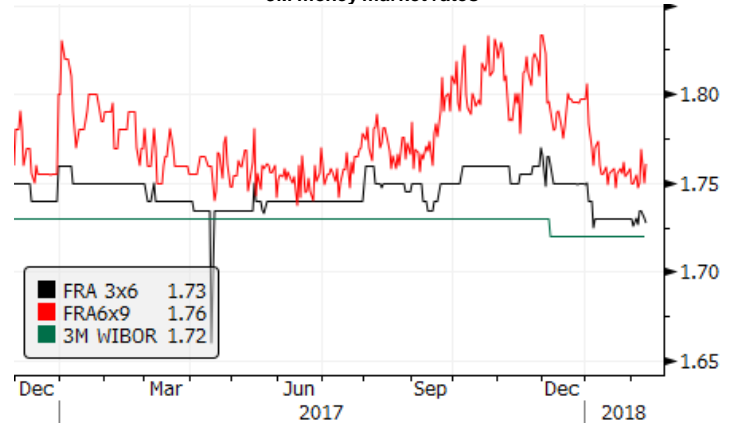
**Zloty exchange rate**



**T-bonds yields**



**3M money market rates**



**10Y spread vs. Bund**



## Economic calendar

| TIME<br>CET                    | INDICATOR | PERIOD                         | FORECAST |       | ACTUAL<br>VALUE | LAST<br>VALUE |        |
|--------------------------------|-----------|--------------------------------|----------|-------|-----------------|---------------|--------|
|                                |           |                                | MARKET   | BZWBK |                 |               |        |
| <b>FRIDAY (9 February)</b>     |           |                                |          |       |                 |               |        |
| No important events            |           |                                |          |       |                 |               |        |
| <b>MONDAY (12 February)</b>    |           |                                |          |       |                 |               |        |
| 10:00                          | PL        | Trade Balance                  | Dec      | €mn   | -               | -             | -170   |
| <b>TUESDAY (13 February)</b>   |           |                                |          |       |                 |               |        |
| 09:00                          | HU        | CPI                            | Jan      | % y/y | 2.0             | -             | 2.1    |
| 14:00                          | PL        | Current Account Balance        | Dec      | €mn   | -500            | 15            | 233    |
| 14:00                          | PL        | Trade Balance                  | Dec      | €mn   | -464.0          | -200.00       | 109    |
| 14:00                          | PL        | Exports                        | Dec      | €mn   | 15,950          | 15,802        | 18,243 |
| 14:00                          | PL        | Imports                        | Dec      | €mn   | 16,361          | 16,002        | 18,134 |
| <b>WEDNESDAY (14 February)</b> |           |                                |          |       |                 |               |        |
| 09:00                          | CZ        | CPI                            | Jan      | % y/y | 2.2             | -             | 2.4    |
| 09:00                          | HU        | GDP                            | 4Q       | % y/y | 4.2             | -             | 3.9    |
| 10:00                          | PL        | GDP                            | 4Q       | % y/y | 5.1             | -             | 4.9    |
| 11:00                          | EZ        | GDP SA                         | 4Q       | % y/y | 2.7             | -             | 2.7    |
| 11:00                          | EZ        | Industrial Production SA       | Dec      | % m/m | -0.2            | -             | 1.0    |
| 14:30                          | US        | CPI                            | Jan      | % m/m | 0.4             | -             | 0.2    |
| 14:30                          | US        | Retail Sales Advance           | Jan      | % m/m | 0.3             | -             | 0.4    |
| <b>THURSDAY (15 February)</b>  |           |                                |          |       |                 |               |        |
| 10:00                          | PL        | CPI                            | Jan      | % y/y | 1.8             | 1.8           | 2.1    |
| 15:15                          | US        | Industrial Production          | Jan      | % m/m | 0.2             | -             | 0.89   |
| <b>FRIDAY (16 February)</b>    |           |                                |          |       |                 |               |        |
| 09:00                          | CZ        | GDP SA                         | 4Q       | % y/y | 1.0             | -             | 5.0    |
| 10:00                          | PL        | Employment in corporate sector | Jan      | % y/y | 3.1             | 3.7           | 4.6    |
| 10:00                          | PL        | Average Gross Wages            | Jan      | % y/y | 6.9             | 7.3           | 7.3    |
| 14:30                          | US        | Housing Starts                 | Jan      | % m/m | 2.77            | -             | -8.2   |

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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