

EYEOPENER

13 February 2018

Three years of surplus

- **Cheerful start of the week on global markets**
- **Zloty overcome the recent weakness, other CEE fx stable, EURUSD creeping higher**
- **Polish IRS and bond yields almost unchanged**
- **Today December balance of payments in Poland**

The new week began with a much better sentiment on the global market when compared to previous days. Stock indices were growing during the European session and the dollar was in retreat, which had some positive impact on the CEE currencies. At the same time, changes in the bond market were not as sharp as recently with yields in the core markets growing only slightly (although, in case of 10Y Treasuries this was enough to reach the highest peak in four years) and even marginally decreasing in the euro zone peripheries. Yesterday, no important worldwide data were published, which contributed to minor changes in the currency market. Attention was drawn to the strengthening of the yen against the dollar, up to the highest level since September. This may be caused by the awaited appointment of the head of the central bank (most likely Haruhiko Kuroda, again).

FX market

EURUSD started the day falling to 1.226 from 1.229. The exchange rate remained slightly above the last week's low of 1.22 reached on Friday, but today in the morning the EURUSD crept above 1.23. The announcement of Donald Trump's investment plan for the USA has not influenced the market too much. Today, similarly as yesterday, there will be no key data releases, but at 14:00 CET the speech of FOMC's Loretta Mester is scheduled (voting member). The market is now pricing-in almost 100% probability of 25bp interest rate hike in March, so any comments suggesting no unanimous support for such move among the FOMC members are potential market movers. The first support for EURUSD is 1.216.

EURPLN fell yesterday to 4.168, retreating from this week's peak at 4.20 reached on Friday. The zloty trimmed virtually all weakening against euro and Swiss franc that took place since

Thursday's evening (in case of pound, it even more than offset earlier depreciation). USDPLN remained near 3.41. A rebound in global equities and stopping of EURUSD's downward trend was positive for the zloty. Today the balance of payments data for December will be released, but we think it should not have a significant impact on the currency. More important will be the sentiment in the global markets.

In the case of the other CEE currencies, the forint and koruna remained stable vs the euro while the ruble gained only slightly vs the dollar. Today, Hungarian inflation was out sticking to 2.1% y/y vs. 2.0% consensus, but we do not think this release could change the market's assessment of probability that the local central bank will change its bias.

Debt market

On Monday, Polish interest rate market did not change much. On the one hand, Polish bonds were under pressure of yields of Bunds and Treasuries rising since the beginning of the session. On the other hand, however, euro zone peripheral debt was gaining for the better part of the day.

Today Polish data on balance of payments

Stats Office trade balance data for December came much weaker than expected (-€1.41bn vs. -€0.43bn consensus). This poses a considerable risk for today's current account data released by the NBP. The Stats Office data suggest higher-than-expected imports, which can be negative for GDP in 4Q17. These numbers were usually problematic and they were released in year-to-date terms, without showing earlier data, so we could not say whether the new reading shows new trends or just a revision of the previous numbers. Now the Office has changed the way it presents the data and showed numbers for individual months. However, these were shown only on a chart, making it difficult to analyse them properly. Still, the Office's chart suggest that revision of previous data was insignificant so December current account is likely to surprise to the downside. The data mean also data the entire year 2017 closed with a surplus on the trade balance. Two previous years also recorded surpluses, while a deficit had been the usual outcome in the years before that.

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FX market

Today's opening

EURPLN	4.1711	CZKPLN	0.1642
USDPLN	3.3881	HUFPLN*	1.3381
EURUSD	1.2311	RUBPLN	0.0586
CHFPLN	3.6217	NOKPLN	0.4292
GBPPLN	4.6912	DKKPLN	0.5601
USDCNY	6.3481	SEKPLN	0.4203

*for 100HUF

Last session in the FX market 12/02/2018

	min	max	open	close	fixing
EURPLN	4.167	4.193	4.188	4.168	4.1846
USDPLN	3.394	3.422	3.416	3.395	3.4122
EURUSD	1.224	1.230	1.225	1.228	-

Interest rate market

12/02/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.74	0	2/8/18	OK0720	1.813
PS0123 (5L)	2.75	-4	2/8/18	PS0123	2.772
WS0428 (10L)	3.54	-3	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	2.15	2	-0.26	0
2L	2.02	0	2.36	3	-0.13	0
3L	2.26	-2	2.50	4	0.08	0
4L	2.47	-3	2.59	5	0.30	1
5L	2.66	-1	2.66	5	0.50	2
8L	2.99	1	2.80	5	0.95	4
10L	3.14	0	2.87	5	1.16	4

WIBOR rates

Term	%	Change (bps)
O/N	1.71	16
T/N	1.70	15
SW	1.60	5
2W	1.60	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	1.72	0
3x6	1.73	0
6x9	1.76	1
9x12	1.84	1
3x9	1.82	-1
6x12	1.84	0

Measures of fiscal risk

Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.80	-1
France	16	0	0.24	0
Hungary	116	1	1.80	1
Spain	49	0	0.72	0
Italy	101	-1	1.28	0
Portugal	66	-3	1.31	0
Ireland	25	-1	0.39	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

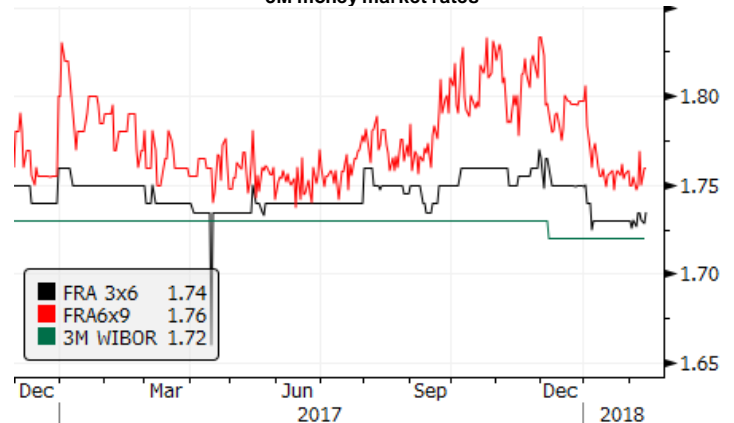
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic calendar							
TIME		INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE
CET				MARKET	BZWBK		
FRIDAY (9 February)							
No important events							
MONDAY (12 February)							
10:00	PL	Trade Balance	Dec	€mn	-	-	-1400
							-170
TUESDAY (13 February)							
09:00	HU	CPI	Jan	% y/y	2.0	-	2.1
14:00	PL	Current Account Balance	Dec	€mn	-425	15	233
14:00	PL	Trade Balance	Dec	€mn	-377	-200	109
14:00	PL	Exports	Dec	€mn	15,950	15,802	18,243
14:00	PL	Imports	Dec	€mn	16,272	16,002	18,134
WEDNESDAY (14 February)							
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
THURSDAY (15 February)							
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
FRIDAY (16 February)							
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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