

EYEOPENER

14 February 2018

December trade deficit a risk for 4Q GDP

- Global equities declined, bonds gained
- December exports poses a risk for today's GDP print
- Zloty slightly weaker vs. the euro, up vs. the dollar
- Polish IRS and bond yields declined a bit
- Today flash 4Q GDP in Poland, important US data

On Tuesday, global stock indices returned to falls, but the scale and dynamics of fluctuations were clearly lower when compared to last week. It appeared more like markets bracing for very important US data expected today (which may affect Fed's plans regarding the scale of interest rate hikes this year) rather than a return of the last week's sell-off. The retreat from risky assets had a positive impact on the core markets bonds and exerted gentle negative pressure on some emerging markets currencies. Yesterday, FOMC member Loretta Mester said that this year rate hikes should take place at a similar pace as in 2017 (three hikes by 25 bp), which is in line with our forecast and more or less with the scenario currently priced in by the market. On the other hand, the new head of the Fed Jerome Powell noted that the last week's decreases on the stock markets did not incline him towards revisiting his view that further, gradual tightening of the monetary policy was needed. Yesterday, no important worldwide data were published, but today the global focus is on inflation and retail sales from the US.

FX market

EURUSD was on the rise yesterday for a second day running, moving farther away from the local trough of 1.22, and reached 1.236. The euro was gaining despite a slightly negative mood around the globe. Today important data from the USA are on the agenda – January retail sales and inflation – which could significantly affect trading, at least in the short term.

EURPLN went up to 4.175 at the start of the local session and stayed close to the level until the European close. After that the zloty took back the lost ground. USDPLN declined to 3.38 during the day thanks to the rise of EURUSD and extended the move overnight to 3.37. As for other CEE fx, the forint was slightly down vs. the euro (despite a positive surprise in January inflation data), the koruna and the ruble were stable.

Yesterday the Polish currency did not react to data about a mch larger than expected current account deficit for December. Today at 10:00CET we will learn the flash reading of 4Q GDP and we see a downside risk to our 5.1% call (the consensus is 5.2%). If it came below 5%, there might be a negative fx

reaction. But what matters is also the economic growth structure, which will only be available on 28-Feb. What is more, tomorrow comes the January CPI, which in our view decelerated below 2% y/y and such a outcome would strengthen the dovish message from the last MPC press conference.

Debt market

On the domestic market, IRS and bond yields declined a bit in line with the strengthening of core bonds. Euro zone periphery saw a rise of yields, however.

If the upcoming GDP data for Poland do surprise negatively, this would create a positive environment for domestic bonds.

December exports poses a risk for today's GDP print

Poland's current account showed a deficit of €1.2bn in December, much higher than expected (€0.4bn). The negative surprise was due to lower-than-anticipated exports (up 2.1% y/y – the lowest in more than a year), while imports surprised to the upside (10.9% y/y). In our view, the outlook for exports still remains positive for Poland, given strong growth in Europe, so we are interpreting this weak statistic as a one-off. Still, rebounding investment and strong consumption should support strong import growth, so we expect the current account balance to deteriorate somewhat in 2018. We estimate the full-year current account surplus at 0.1% of GDP (the first annual surplus since comparable data are available).

In our view, the December trade balance data imply a downward risk for 4Q17 GDP growth, which may be slightly below 5% rather than slightly above 5% y/y. However, it is not clear to us whether this will already be reflected in the flash release due today, or only in the second publication to come on February 28. More on this in our [Instant Comment](#).

Hungarian CPI does not affect our forecast for Poland

Yesterday the inflation data in Hungary was released. It was slightly higher than expected (2.1% vs. 2.0% y/y), but in our view it is not a reason to increase forecasts for Polish CPI for January (our forecast is 1.8% y/y vs 2.1% for December). We think that CPI growth in Poland fell mainly due to weak increase in food prices (0.7% m/m), while in Hungary this category went up strongly (by 1.5% m/m). In particular, in Hungary the prices of eggs and milk did not drop, while our observations for Poland strongly suggest that such downward move took place. Moreover, we see a decrease of sugar and pork prices in Poland in January – again in contrast to what happened in Hungary. Today the inflation data in Czech Republic will be released.

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FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4.1690 | CZKPLN | 0.1643 |
| USDPLN | 3.3691 | HUFPLN* | 1.3360 |
| EURUSD | 1.2374 | RUBPLN | 0.0585 |
| CHFPLN | 3.6113 | NOKPLN | 0.4293 |
| GBPPLN | 4.6819 | DKKPLN | 0.5596 |
| USDCNY | 6.3393 | SEKPLN | 0.4203 |

*for 100HUF

Last session in the FX market

13/02/2018

| | min | max | open | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.166 | 4.179 | 4.168 | 4.167 | 4.1764 |
| USDPLN | 3.370 | 3.395 | 3.395 | 3.374 | 3.3916 |
| EURUSD | 1.228 | 1.237 | 1.228 | 1.235 | - |

Interest rate market

13/02/2018

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 | 0 | 2/8/18 | PS0123 | 2.772 |
| WS0428 (10L) | 3.51 | -2 | 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 | 0 | -0.26 | 0 |
| 2L | 2.03 | 0 | 2.36 | 0 | -0.13 | 0 |
| 3L | 2.28 | 2 | 2.50 | 0 | 0.07 | 0 |
| 4L | 2.49 | 2 | 2.58 | 0 | 0.29 | 0 |
| 5L | 2.66 | 1 | 2.65 | -1 | 0.49 | -1 |
| 8L | 2.98 | -1 | 2.79 | -1 | 0.94 | -1 |
| 10L | 3.14 | 0 | 2.85 | -2 | 1.15 | -1 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 1.63 | -8 |
| T/N | 1.63 | -7 |
| SW | 1.59 | -1 |
| 2W | 1.60 | 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 | -1 |
| 9x12 | 1.84 | 0 |
| 3x9 | 1.82 | 0 |
| 6x12 | 1.84 | 0 |

Measures of fiscal risk

| Country | CDS 5Y USD Level | Change (bps) | 10Y spread* Level | Change (bps) |
|----------|------------------|--------------|-------------------|--------------|
| Poland | | | 2.77 | -2 |
| France | 17 | 0 | 0.25 | 1 |
| Hungary | 116 | 1 | 1.76 | -3 |
| Spain | 51 | 2 | 0.77 | 5 |
| Italy | 103 | 2 | 1.33 | 5 |
| Portugal | 71 | 5 | 1.37 | 6 |
| 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

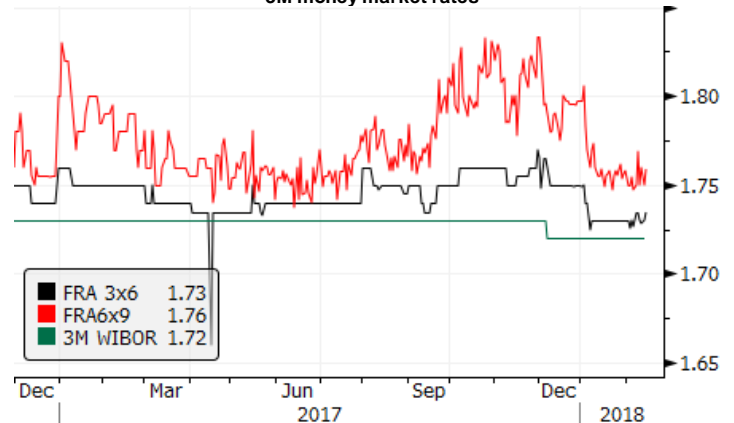
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

| 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 | 2.1 |
| 14:00 | PL | Current Account Balance | Dec | €mn | -425 | 15 | -1 152 | 272 |
| 14:00 | PL | Trade Balance | Dec | €mn | -377 | -200 | -1268 | 150 |
| 14:00 | PL | Exports | Dec | €mn | 15,950 | 15,802 | 15 232 | 18 253 |
| 14:00 | PL | Imports | Dec | €mn | 16,272 | 16,002 | 16 500 | 18 103 |
| WEDNESDAY (14 February) | | | | | | | | |
| 09:00 | CZ | CPI | Jan | % y/y | 2.2 | - | | 2.4 |
| 09:00 | HU | GDP | 4Q | % y/y | 4.3 | - | | 3.9 |
| 10:00 | PL | GDP | 4Q | % y/y | 5.2 | - | | 4.9 |
| 11:00 | EZ | GDP SA | 4Q | % y/y | 2.7 | - | | 2.7 |
| 11:00 | EZ | Industrial Production SA | Dec | % m/m | 0.1 | - | | 1.0 |
| 14:30 | US | CPI | Jan | % m/m | 0.3 | - | | 0.2 |
| 14:30 | US | Retail Sales Advance | Jan | % m/m | 0.2 | - | | 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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