

EYEOPENER

19 February 2018

Strong labour market data

- The Polish labour market is still strong
- Domestic debt follows core market, zloty is losing a bit
- No important data releases today

On Friday, the zloty was under pressure while bonds were gaining following strengthening seen on the European market. Polish labour market data surprised to the upside, just like the US Michigan index. Today, we expect domestic currency and bonds to gain.

Wages and employment

In January, employment in corporate sector rose 3.8% y/y (vs. our 3.7% call and market expectations at 3.4%) and wage growth remained at 7.3% (in line with our forecast, but higher than 6.9% consensus). We think these headlines should be treated as quite positive readings. The readings are in line with 2017 trends - with increasing wage pressure and yet still decent employment, as the labour market is getting tighter. Still, in January the Stats office changes the sample of enterprises covered by the survey so these data are not fully comparable to last year's. There should be no response from MPC members, as the Council sees labour market processes a bit differently than us. We assume MPC will wait for the March NBP projection before, potentially, admitting the labour market situation may trigger a worrying acceleration of core inflation. We expect first rate 25bp rate hike to be delivered in 1Q19. More detailed comment may be found in our Instant comment. [Instant Comment](#)

FX market

EURUSD was falling since Friday morning, driven by the US political information and by the stopped rebound on the stock exchanges. In effect, EURUSD shifted from 1.2550 in the morning (the highest level this year) to 1.2390 at the end of the day. In the afternoon, the dollar was aided by a surprisingly high University of Michigan Consumer Sentiment Index (99.9 vs. expected 95.5). Today we anticipate EURUSD to reflect the still strong stock markets and continue rebound up to 1.2420.

EURPLN was losing slightly on Friday, in parallel to the strengthening US dollar. This was somehow supported by the notably high University of Michigan Consumer Sentiment Index.

Wages and employment data did not impress investors on the currency market. Today, we expect PLN to appreciate against EUR (below 4.1480 at the end of the day), which should be driven by the growing stocks.

Regarding other currencies of the region, the strengthening ruble still stood out. As in previous days, it was helped by slightly higher oil prices. In consequence, USDRUB slipped from 56.50 to 56.40. EURCZK went marginally up thus fluctuating within 25.30 and 25.40 brackets. This was not hampered by the weaker than expected Q4 GDP data (5.1% y/y vs. expected 5.3%). As for EURHUF, we saw further decline, from 311.60 to 311.40.

Debt market

On Thursday debt markets continued strengthening. This move was more pronounced in Europe than in the USA. The trend was not interrupted by the release of better than expected Michigan survey. Overall, the German yield curve slid by 5-6bp in 5-10Y segment and 1bp in the short run. At the same time, US curve moved down by 2bp in 5-10Y segment and remained stable in 2Y segment. Those changes have positively affected the pricing of high-yielding emerging market bonds, like Russian or Turkish. Domestic papers also gained on Friday, taking advantage of the decline of European yields. Polish 10Y bond yield decreased by 6 bp, 5Y by 4bp and 2Y by 2 bp. The IRS curve went down by 2-3 bp in all segments.

Today we expect the yield and IRS curves to stop descending as equities may remain strong.

This week

This week we expect to see the zloty give back some gains and the global yields to correct lower. These development may be supported by strong Polish data on industry and retail sales, which will be credit-positive. We are not sure if equities will find what it takes to continue to march higher. Flash PMI and Ifo may remind of the strong underlying macro story for Europe (yet may be weaker than the previous readings), but the recent sell-off was not based on doubts about economic prospects. The informal meeting of EU ex UK leaders should be watched as it could shed some light on the potential introduction of conditionality in the next EU budget, which is a big issue for Poland going beyond 2020.

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FX market

Today's opening

EURPLN	4.1525	CZKPLN	0.1639
USDPLN	3.3486	HUFPLN*	1.3332
EURUSD	1.2401	RUBPLN	0.0594
CHFPLN	3.6031	NOKPLN	0.4308
GBPPLN	4.6895	DKKPLN	0.5575
USDCNY	6.3415	SEKPLN	0.4203

*for 100HUF

Last session in the FX market

15/02/2018

	min	max	open	close	fixing
EURPLN	4.147	4.167	4.165	4.160	4.1559
USDPLN	3.319	3.354	3.354	3.336	3.3173
EURUSD	1.242	1.251	1.242	1.247	-

Interest rate market

15/02/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.73	1	2/8/18	OK0720	1.813
PS0123 (5L)	2.73	-1	2/8/18	PS0123	2.772
WS0428 (10L)	3.49	-1	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	2.23	3	-0.26	0
2L	2.02	0	2.46	3	-0.12	1
3L	2.26	-2	2.60	3	0.10	2
4L	2.47	-2	2.68	2	0.31	1
5L	2.63	-2	2.74	2	0.51	1
8L	2.96	-1	2.85	0	0.96	1
10L	3.12	-1	2.91	-1	1.16	1

WIBOR rates

Term	%	Change (bps)
O/N	1.62	-1
T/N	1.62	-1
SW	1.59	0
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	1.73	0
3x6	1.74	1
6x9	1.75	-1
9x12	1.84	1
3x9	1.82	1
6x12	1.83	0

Measures of fiscal risk

Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.73	-2
France	17	0	0.24	0
Hungary	116	1	1.74	1
Spain	48	-3	0.74	-1
Italy	97	-4	1.30	-1
Portugal	66	-2	1.28	-3
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

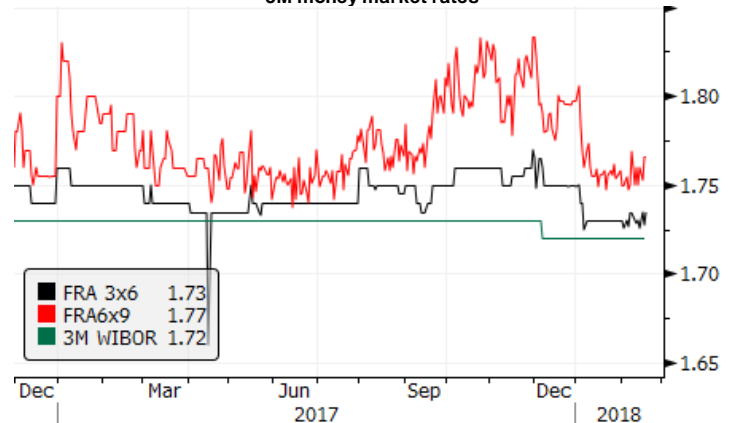
Zloty exchange rate



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 (16 February)								
09:00	CZ	GDP SA	4Q	% y/y	5.3		5.1	5.0
10:00	PL	Employment in corporate sector	Jan	% y/y	3.4	3.8	3.8	4.6
10:00	PL	Average Gross Wages	Jan	% y/y	6.9	7.3	7.3	7.3
14:30	US	Housing Starts	Jan	% m/m	4.52		9.7	-8.2
16:00	US	Michigan index	Feb	pts	96.4		99.9	95.7
MONDAY (19 February)								
No important events								
TUESDAY (20 February)								
10:00	PL	Sold Industrial Output	Jan	% y/y	8.5	9.3	-	2.7
10:00	PL	Construction Output	Jan	% y/y	20.35	22.8	-	12.7
10:00	PL	PPI	Jan	% y/y	0.1	-0.2	-	0.3
10:00	PL	Retail Sales Real	Jan	% y/y	6.45	7.1	-	5.2
11:00	DE	ZEW Survey Current Situation	Feb	pts	94.0		-	95.2
WEDNESDAY (21 February)								
09:30	DE	Germany Manufacturing PMI	Feb	pts	60.55		-	61.1
09:30	DE	Markit Germany Services PMI	Feb	pts	57.0		-	57.3
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	59.3		-	59.6
10:00	EZ	Eurozone Services PMI	Feb	pts	57.6		-	58.0
16:00	US	Existing Home Sales	Jan	% m/m	0.72		-	-3.6
20:00	US	FOMC Meeting Minutes	Jan-18		-		-	0.0
THURSDAY (22 February)								
10:00	DE	IFO Business Climate	Feb	pts	117.0		-	117.6
14:00	PL	Money Supply M3	Jan	% y/y	4.9	4.8	-	4.6
14:30	US	Initial Jobless Claims	Feb-18	k	230.0		-	230.0
FRIDAY (23 February)								
10:00	PL	Unemployment Rate	Jan	%	6.9	6.9	-	6.6
11:00	EZ	HICP	Jan	% v/v	1.3		-	1.3

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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