

# EYEOPENER

21 February 2018

## Rebound in construction sector, industry decelerated slightly

- CEE currencies pressured by stronger dollar
- Polish sovereign bonds driven by global core markets debt
- Rebound in construction sector at the beginning of the year
- Today: Eurozone flash PMI for industry and services, FOMC minutes in the evening

On Tuesday, bond yields were going up through most of the day, emerging currencies were under selling pressure and the dollar again gained vs. the euro. Equity indices oscillated around the levels from Monday close. Data from Germany were mixed – February ZEW index of current conditions was a bit disappointing, but the gauge of expectations was stronger than expected. Today there are flash PMIs from the euro zone in the calendar, and in the evening FOMC releases its minutes.

### Sharp rebound in construction sector, industry output softer

Industrial output rose 8.6% y/y in January, but seasonally adjusted data showed a slowdown to 6.2% y/y, which is the lowest print since April 2017. Construction sector surprised strongly to the upside, showing 34.7% y/y output rise (the strongest gain since 2007). Such sharp rebound was probably caused by a strong revival of investment activity. Retail sales rose 7.7% y/y in January. As we expected, an important factor behind this pickup was improvement in durable goods sales. The data support our expectations that the pace of GDP growth in 1Q18 still remained close to 5% y/y. The data should be neutral from the Monetary Policy Council's point of view. More in our [Instant Comment](#).

### Monetary policy – Łon still very dovish

In an interview released this morning, MPC's Eryk Łon known for his very dovish stance, repeated that the policy of 'wait and see' is currently optimal and that monetary policy should be elastic and open to unconventional actions. If stock indices continue to fall he would come back to the idea of reducing interest rates. In his view the recent strengthening of the zloty and its potential negative influence on exports should be taken into account by the MPC.

### FX market

EURUSD resumed the down move initiated on Friday and neared 1.23 during the yesterday's session. The US currency was supported by rising yields of the US Treasuries, German

data did not trigger any meaningful market reaction. Today next European data are on the agenda. The FOMC minutes could also be material for the market. The interest rate market is now pricing 100% of a March 25bp rate hike in the US but the dollar is much weaker than implied by the outlook for the ECB and Fed monetary policy trends. Thus, a hawkish tone of the document might support the dollar.

EURPLN rose yesterday to 4.15, USDPLN climbed above 3.36, EURHUF jumped to 312, EURCZK rose above 25.33 and USDRUB broke above 56.76 for a while. CEE currencies were pressured by the dollar appreciation. Polish data were above the consensus but not enough to boost the zloty – just like we expected, global trends proved more important. Today, important European data will be published and the FOMC minutes will be released in the evening. The zloty and other CEE currencies are still sensitive to the dollar's performance and we think the external factors should remain key for the Polish FX market.

### Debt market

Yesterday yield curves were flattening on core debt markets. It resulted from rising yields at the short end of the curve in USA and Germany and stabilisation (in case of US curve) or drop of yields (by 2-3bp on German curve) in the belly and long end of the yield curve. It was accompanied by drop of swap rates USD5Yx5Y and inflation swaps USD5Yx5Y (similar move, although smaller, took place in case of EUR swaps). Such situation resulted partly from large supply at the auction of short-term US Treasuries (amid smaller demand/supply ration than before).

On the domestic interest rate market IRS rates and bond yields rose 1-2bp. During the day the scale of the move was larger, but in the second half of the session the Polish debt started trimming losses, supported by strengthening abroad and information about lower planned supply at tomorrow's bond auction.

The Ministry of Finance announced that on Thursday's auction it will offer bonds OK0720, PS0123, WZ0524, WS0428, WZ0528 and WS0447, worth PLN3-4bn. The upper boundary of the planned supply has been reduced from PLN6bn. It is yet another auction, preceded by a reduction of planned supply. Yesterday the minister of finance Teresa Czerwińska said that in the remaining part of the year the debt supply may be reduced, and the gross borrowing needs may be lower than initially planned PLN181.7bn.

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## FX market

## Today's opening

EURPLN	4.1528	CZKPLN	0.1639
USDPLN	3.3729	HUFPLN*	1.3309
EURUSD	1.2312	RUBPLN	0.0595
CHFPLN	3.5955	NOKPLN	0.4293
GBPPLN	4.7158	DKKPLN	0.5577
USDCNY	6.3415	SEKPLN	0.4162

\*for 100HUF

## Last session in the FX market 20/02/2018

	min	max	open	close	fixing
EURPLN	4.132	4.152	4.135	4.150	4.1472
USDPLN	3.330	3.368	3.331	3.362	3.3597
EURUSD	1.232	1.241	1.241	1.234	-

## Interest rate market

20/02/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.71	-1	2/8/18	OK0720	1.813
PS0123 (5L)	2.76	2	2/8/18	PS0123	2.772
WS0428 (10L)	3.50	1	2/8/18	WS0428	3.515

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	0	2.25	2	-0.26	0
2L	2.03	0	2.50	2	-0.12	0
3L	2.28	0	2.64	2	0.08	-1
4L	2.50	1	2.71	3	0.30	0
5L	2.66	1	2.77	4	0.49	-1
8L	2.98	1	2.87	3	0.94	0
10L	3.14	1	2.92	3	1.15	0

## WIBOR rates

Term	%	Change (bps)
O/N	1.57	-2
T/N	1.56	-3
SW	1.58	-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	1.72	-1
6x9	1.77	1
9x12	1.85	0
3x9	1.81	-1
6x12	1.84	0

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.78	2
France	17	0	0.27	0
Hungary	116	1	1.85	1
Spain	49	1	0.80	1
Italy	102	3	1.34	0
Portugal	68	0	1.30	0
Ireland	25	-1	0.44	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

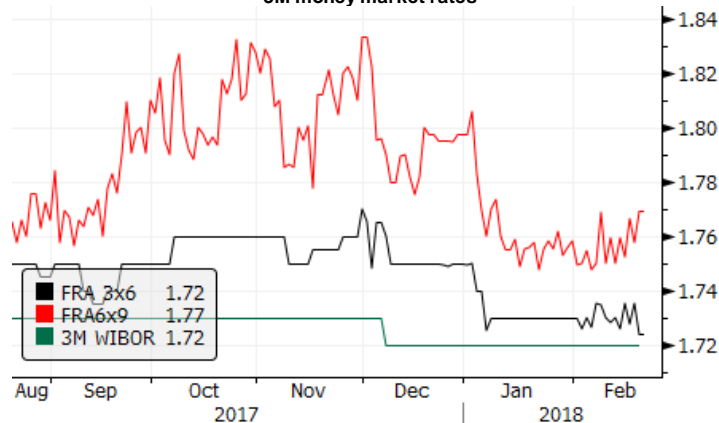
## Zloty exchange rate



## 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 (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	8.6	2.7
10:00	PL	Construction Output	Jan	% y/y	20.35	22.8	34.7	12.7
10:00	PL	PPI	Jan	% y/y	0.1	-0.2	0.2	0.3
10:00	PL	Retail Sales Real	Jan	% y/y	6.45	7.1	7.7	5.2
11:00	DE	ZEW Survey Current Situation	Feb	pts	94.0		92.3	95.2
WEDNESDAY (21 February)								
09:30	DE	Flash Manufacturing PMI	Feb	pts	60.5	-		61.1
09:30	DE	Flash Services PMI	Feb	pts	57.0	-		57.3
10:00	EZ	Flash Manufacturing PMI	Feb	pts	59.2	-		59.6
10:00	EZ	Flash Services PMI	Feb	pts	57.6	-		58.0
16:00	US	Existing Home Sales	Jan	% m/m	0.9	-		-3.6
20:00	US	FOMC Meeting Minutes						
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	week	k	230	-		230
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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