

# EYEOPENER

6 March 2018

## US debt loss

- Mixed mood on the markets at the beginning on the week
- Zloty and other CEE currencies weaker, EURUSD stable
- Polish debt under pressure, the core market yields generally up
- Today: Hungary GDP, US data

At the start of the Monday session the market sentiment was poor, but as hours passed, trading became more stable and the influence of Italian election results was diminishing. The depreciation of the euro to the dollar stopped, European equity indices recovered from morning losses, also due to final February PMI for German services coming above expectations and higher than expected January euro zone retail sales. On the other hand, PMI readings for the euro zone were weaker than the preliminary outcomes and the sentiment index of European investors, Sentix, dropped relatively sharply. European core bonds lost somewhat on the day, and the Italian debt was under selling pressure most of the day.

### FX market

On Monday, EURUSD did not continue the upward movement initiated in the morning after election in Italy. The rate returned above 1.23 and was close to this level at the end of the day. After last week's Trump's proposal to introduce steel and aluminum tariffs the rate returned to a wide range 1.22-1.255. The pair is still close to the lower limit of this band. Today and in the upcoming days we will get to see further data from the USA, which will decide whether the rate will try to break 1.22 or will climb towards this year's maximums.

EURPLN remained close to local peak at c4.20. USDPLN was oscillating near to 3.405. Zloty and other CEE region currencies were under pressure (especially the forint) and did not benefit from the stabilising global sentiments.

Lack of positive reaction of the zloty to today's improvement on the equity markets suggests that scope for a further zloty

strengthening are limited. In our view, the upcoming NBP inflation projection is likely to prove dovish and this can undermine the zloty not expect EURPLN to fall below 4.16 and we assume it will stay high around 4.20.

### Debt market

On Monday, bond yields in Europe were mostly hesitant (Germany, France) or decreasing (Spain, Czechia). The mood worsened in the afternoon in line with US treasuries. The Italian debt was under selling pressure (as the voting results suggested that government formation process will be difficult) with 10Y yields rising c5bp in the middle of the day, only to recover later. Turkey was also sticking out, with long end up 20bp.

In case of US debt, the main move of the yield curve occurred in the afternoon and was a response to the discussion about tariffs on steel and aluminum in the USA. Rate hike expectations, fears of higher debt supply and of growing credit risk, all contributed to a rise by 4-6bp of the 5-10Y segment. The total scale of changes on European core markets during the session was similar to the US.

On the domestic interest rate market the bond curve steepened amid yields rising on the belly and long end while short end holding flat. The IRS curve moved 2-5bp up, similar to bond yields. It seems that profit taking after recent strengthening was the biggest driver of Polish bonds yesterday, although morning weakening of Bund created a convenient environment to this move.

Today we expect situation on the Polish FI market to stabilize. In our view, yields upside move could resume only in the afternoon when US data will be released. Later in the week, the MPC meeting (tomorrow) and ECB decision (Thursday) are on the agenda and we expect the message to be rather dovish which should not hit bonds. At the end of the week, the US nonfarm payrolls will be released. We expect yields to fall in a week or two horizon.

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## FX market

## Today's opening

EURPLN	4.1890	CZKPLN	0.1649
USDPLN	3.3951	HUFPLN*	1.3333
EURUSD	1.2338	RUBPLN	0.0601
CHFPLN	3.6084	NOKPLN	0.4346
GBPPLN	4.6964	DKKPLN	0.5623
USDCNY	6.3436	SEKPLN	0.4109

\*for 100HUF

## Last session in the FX market

05/03/2018

	min	max	open	close	fixing
EURPLN	4.177	4.206	4.193	4.190	4.1895
USDPLN	3.384	3.418	3.399	3.397	3.3995
EURUSD	1.227	1.237	1.232	1.233	-

## Interest rate market

05/03/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.62	0	2/22/18	OK0720	1.741
PS0123 (5L)	2.56	2	2/22/18	PS0123	2.687
WS0428 (10L)	3.32	5	2/22/18	WS0428	3.430

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.77	0	2.29	2	-0.26	0
2L	1.99	0	2.51	2	-0.12	0
3L	2.21	2	2.63	2	0.08	0
4L	2.39	3	2.70	3	0.29	1
5L	2.54	3	2.75	3	0.46	1
8L	2.83	4	2.85	3	0.89	2
10L	3.00	4	2.90	4	1.09	1

## WIBOR rates

Term	%	Change (bps)
O/N	1.54	-1
T/N	1.54	-1
SW	1.56	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	1.72	0
3x6	1.72	-1
6x9	1.75	0
9x12	1.83	2
3x9	1.81	-1
6x12	1.84	0

## Measures of fiscal risk

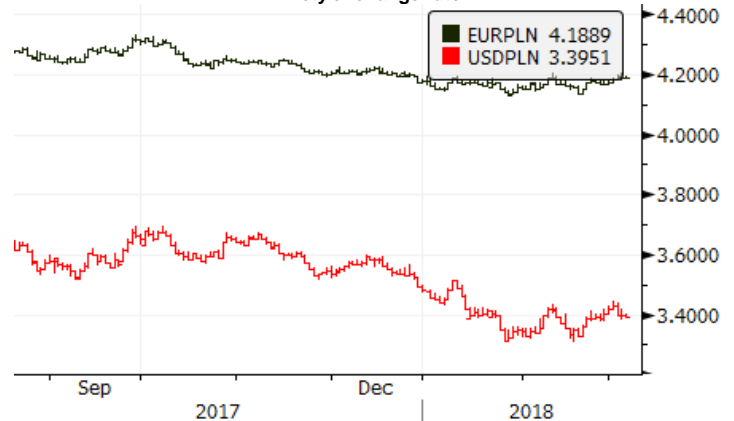
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.67	4
France	18	0	0.26	-1
Hungary	116	1	1.99	-1
Spain	45	1	0.83	-2
Italy	105	6	1.34	-2
Portugal	68	2	1.28	-1
Ireland	25	-1	0.43	-1
Germany	10	0	-	-

\* 10Y treasury bonds over 10Y Bunds

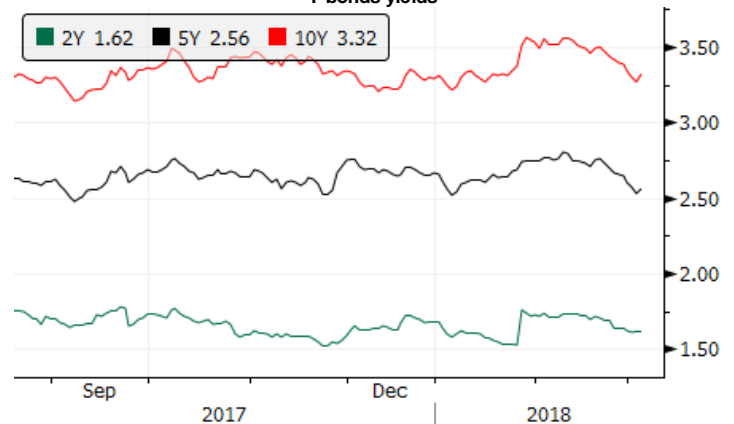
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

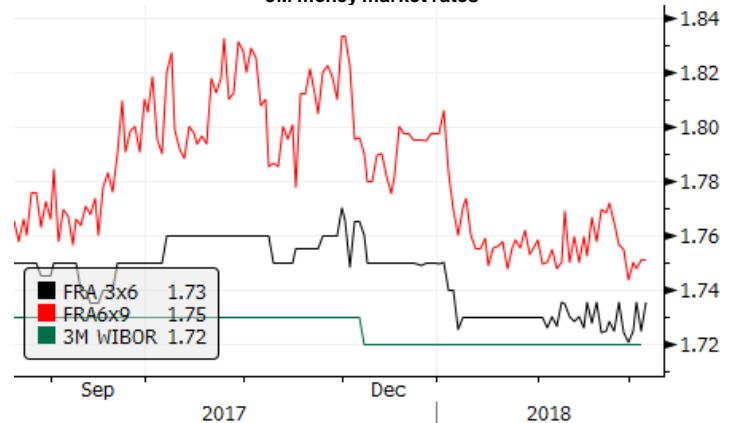
## Zloty exchange rate



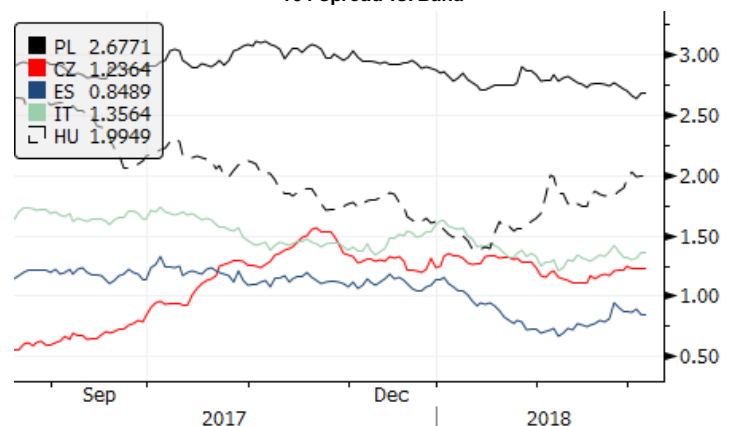
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic Calendar								
TIME		INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE	
CET				MARKET	BZWBK			
FRIDAY (2 March)								
09:00	CZ	GDP SA	4Q	% y/y	5.1		5.2	5.1
16:00	US	Michigan index	Feb	pts	99.5		99.7	99.9
MONDAY (5 March)								
02:45	CH	Caixin China PMI Services	Feb	pts	54.3	-	54.2	54.7
09:55	DE	Markit Germany Services PMI	Feb	pts	55.3	-	55.3	55.3
10:00	EZ	Eurozone Services PMI	Feb	pts	56.7	-	56.2	56.7
11:00	EZ	Retail Sales	Jan	% m/m	0.6	-	-0.1	-1.0
16:00	US	ISM services	Feb	pts	58.5	-	59.5	59.9
TUESDAY (6 March)								
09:00	HU	GDP	4Q	% y/y	4.4	-	4.4	4.4
16:00	US	Durable Goods Orders	Jan	% m/m	-2.0	-		-3.7
16:00	US	Factory Orders	Jan	% m/m	-0.3	-		1.7
WEDNESDAY (7 March)								
	PL	Poland Base Rate Announcement		%	1.5	1.5		1.5
09:00	HU	Industrial Production SA	Jan	% y/y	-	-		4.5
11:00	EZ	GDP SA	4Q	% y/y	2.7	-		2.7
14:15	US	ADP report	Feb	k	180	-		233
20:00	US	Beige Book						
THURSDAY (8 March)								
08:00	DE	Factory Orders	Jan	% m/m	-1.5	-		3.8
09:00	HU	CPI	Feb	% y/y	2.0	-		2.1
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:30	US	Initial Jobless Claims	week	k	225	-		222
FRIDAY (9 March)								
08:00	DE	Exports SA	Jan	% m/m	0.3	-		0.0
08:00	DE	Industrial Production SA	Jan	% m/m	0.5	-		-0.6
09:00	CZ	CPI	Feb	% y/y	1.9	-		2.2
14:30	US	Change in Nonfarm Payrolls	Feb	k	195	-		200
14:30	US	Unemployment Rate	Feb	%	4.0	-		4.1

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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