

# EYEOPENER

27 March 2018

## Better sentiment supported the zloty

- **USA negotiating with China on trade tariffs, lowering worries about trade wars**
- **Bonds supported by falling stocks and worries about growth in Europe**
- **Zloty gaining following the US equity markets**
- **Dollar lost due to geopolitics**
- **Today bond auction and ESI indicators**

EURUSD was on the rise for the whole day yesterday, reacting to the prospects of a trade war. The zloty strengthened, taking advantage of the evening improvement in sentiment on the US equity market. Risk appetite improved on information that the US government is negotiating with the Chinese a reduction in Chinese tariffs on US products and opening of the market for financial services. Domestic and European bonds were gaining, despite a rising yield curve in the USA, as there are now doubts about the European economic outlook. MPC member Eryk Łon stated that while there are no reasons to question stable rates now, in case of a slowdown a rate cut should be considered.

### Eryk Łon sees risk of a slowdown

MPC's Eryk Łon in an interview for PAP said that while there are currently no reasons to change interest rates, one should consider rate cuts in case the expected slowdown in the coming years is severe and if business and consumer sentiment deteriorated. The factor that in his view can weigh on global equities and thus also real economies is the Fed policy. Łon mentioned a risk of a return of deflation as the current inflation pressure is low in Poland, and there could be a decrease of global commodity prices.

### FX market

EURUSD moved at a snail's pace on Friday. On Monday this switched to marching speed. The dollar weakness was based on fears from the frontier of economy and politics. The determination of the USA seen in the news about trade war weakened the dollar. Despite a rebound on equities in the USA, no positive mood was seen on other markets. The stock exchange in Frankfurt closed 0.83% lower on the day, due to worries about the condition of the European economy. Industrial commodities prices were either stable or falling. All this contributed to the rise of EURUSD from 1.2350 to 1.2460 in the evening. Today we expect some correction of the dollar

weakness from Monday, which should be aided by the expected declines in ESI indices.

EURPLN was sliding during the day with the help of a rise in EURUSD and the evening rebound on US equities, reaching 4.2180 at the end of the day vs. 4.230 in the morning. Today we expect further appreciation of the zloty on the expected positive results of the domestic bond auction.

EURCZK went up from 25.42 to 25.47 during the day, as European equities were declining. In the afternoon it dropped due to the rebound of US equities, which led to a close at 25.45. EURHUF remained stable during the day, ranging between 312.80 and 312.90 waiting for today's decision of the Hungarian central bank. The ruble was gaining in the first part of the day as oil prices remained relatively high. The news on coordinated expulsion of Russian diplomats by the USA and many EU countries sent USDRUB higher, to 57.50. The pair started the day at 57.04 and closed at 57.22.

### Debt market

Over the day the US yields market were moving up and down by 3-5bp, with a slight upward tendency. The US market was fueled by fears about the higher supply of US debt. On the US 2Y debt auction yields reached 2.31% - last seen in 2008, pushing the secondary market yields slightly up. The European yields were moving down. Today we anticipate a further fall of of the Euro zone yields owing to ESI data release (we believe in weaker data).

In the morning trading, the domestic bond yields were falling, following the European bonds. In the afternoon the euro stock market falls and the accompanying decline of Euro zone yields helped Polish T-bonds to erase losses. Some fuel for the bond market was delivered by remarks of Günther Oettinger, EU Commissioner for Budget and Human Resources. Oettinger said there are no plans for a separate budget in the Euro zone. As a result, the domestic yields curve went down by 1-3 bp in the 5-10Y segment, stronger on the long end. The IRS curve move was a little less significant.

Today we expect a further fall of yields, as a reaction to the expected weaker Euro zone leading indicators. Today the Ministry of Finance plans to sale bonds worth PLN3bn (vs PLN3.5bn announced previously), including series: OK0720, PS0123, WZ0524, WS0428 and WZ0528.

#### ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40

email: [ekonomia@bzwbk.pl](mailto:ekonomia@bzwbk.pl)

Web site: [skarb.bzwbk.pl](http://skarb.bzwbk.pl)

Piotr Bielski +48 22 534 18 87

Marcin Luziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Konrad Soszyński +48 22 534 18 86

Marcin Sulewski +48 22 534 18 84

#### TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

## FX market

## Today's opening

EURPLN	4.2173	CZKPLN	0.1658
USDPLN	3.3831	HUFPLN*	1.3484
EURUSD	1.2466	RUBPLN	0.0592
CHFPLN	3.5830	NOKPLN	0.4415
GBPPLN	4.8168	DKKPLN	0.5665
USDCNY	6.2493	SEKPLN	0.4138

\*for 100HUF

## Last session in the FX market

26/03/2018

	min	max	open	close	fixing
EURPLN	4.217	4.236	4.226	4.222	4.2316
USDPLN	3.388	3.427	3.420	3.393	3.4145
EURUSD	1.234	1.245	1.235	1.244	-

## Interest rate market

26/03/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.52	0	15-Mar-18	OK0720	1.547
PS0123 (5L)	2.38	-1	15-Mar-18	PS0123	2.381
WS0428 (10L)	3.22	-2	15-Mar-18	WS0428	3.235

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	0	2.43	0	-0.26	0
2L	1.89	-1	2.60	0	-0.16	0
3L	2.07	-1	2.70	0	0.03	0
4L	2.24	-1	2.75	0	0.22	-1
5L	2.39	-1	2.77	-1	0.40	-1
8L	2.73	1	2.83	-1	0.80	-1
10L	2.88	-1	2.86	-2	1.00	0

## WIBOR rates

Term	%	Change (bps)
O/N	1.75	20
T/N	1.75	20
SW	1.57	3
2W	1.60	0
1M	1.64	0
3M	1.70	0
6M	1.78	0
9M	1.79	0
1Y	1.82	0

## FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.70	0
3x6	1.71	0
6x9	1.72	0
9x12	1.75	2
3x9	1.79	1
6x12	1.79	1

## Measures of fiscal risk

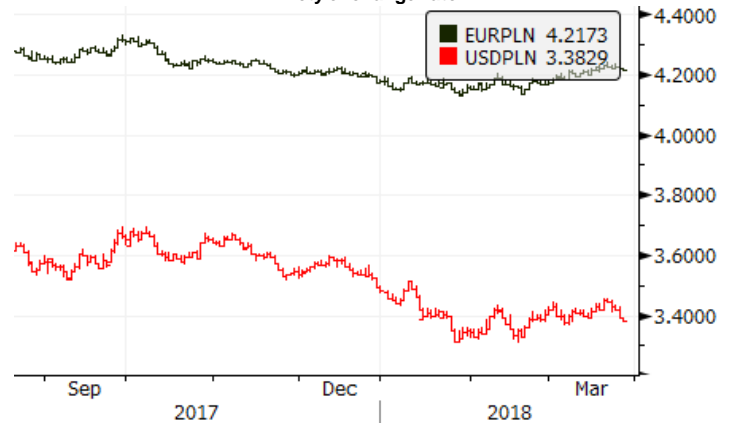
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.69	-3
France	18	0	0.23	0
Hungary	116	1	1.96	-1
Spain	41	0	0.71	-2
Italy	102	0	1.37	-2
Portugal	64	0	1.17	-2
Ireland	25	0	0.42	-1
Germany	10	0	-	-

\* 10Y treasury bonds over 10Y Bunds

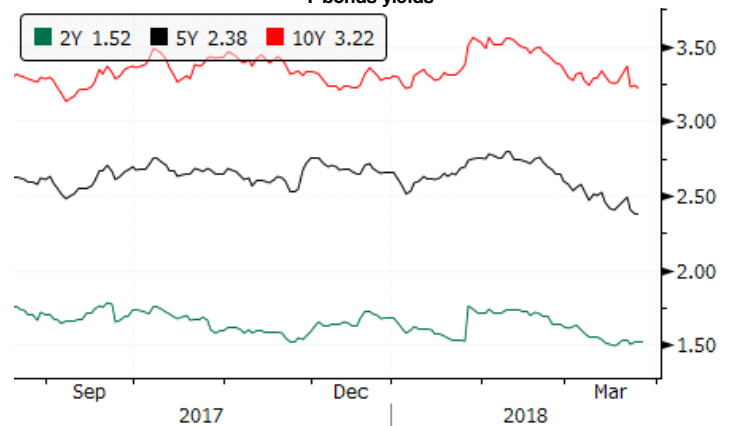
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

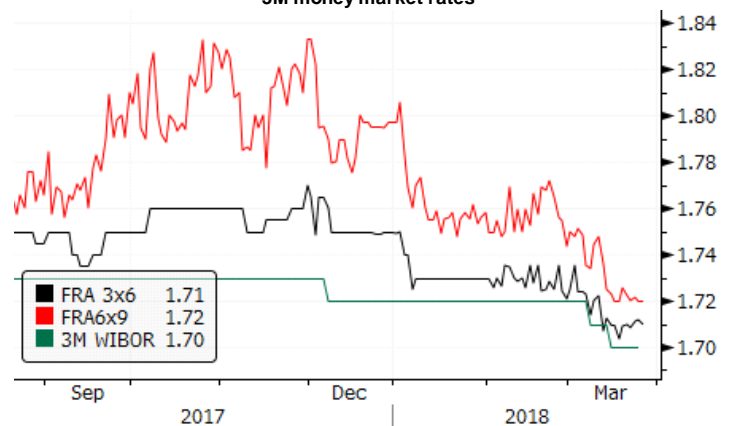
## Zloty exchange rate



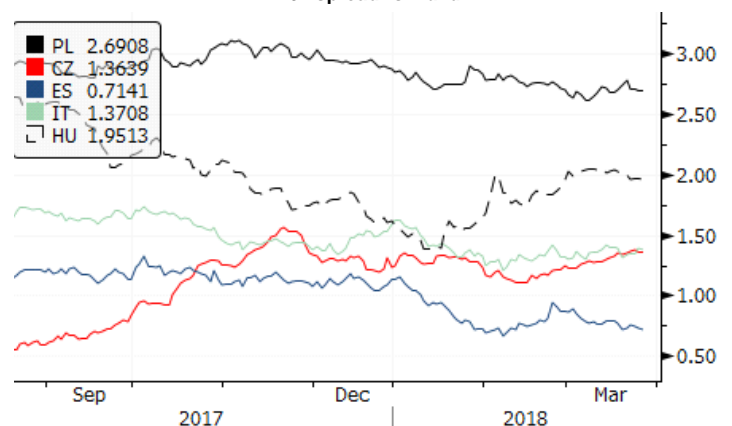
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic calendar								
TIME		INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE	
CET				MARKET	BZWBK			
FRIDAY (23 March)								
	PL	Unemployment Rate		%	6.8	6.8	6.8	6.9
16:00	US	Durable Goods Orders		% m/m	1.6		3.1	-3.6
16:00	US	New Home Sales		% m/m	4.6		-0.6	-7.8
MONDAY (26 March)								
No important events								
TUESDAY (27 March)								
11:00	EZ	ESI	Mar	pct.	113.3		-	114.1
11:30	PL	Bond Auction			-			
14:00	HU	Central Bank Rate Decision	Mar-01	%	0.9		-	0.9
16:00	US	Consumer Conference Board	Mar	pts	131.0		-	130.8
WEDNESDAY (28 March)								
14:30	US	GDP Annualized	4Q	% Q/Q	2.7		-	2.5
16:00	US	Pending Home Sales	Feb	% m/m	2.0		-	-4.7
THURSDAY (29 March)								
13:00	CZ	Central Bank Rate Decision	Mar-18		0.75		-	0.75
14:00	DE	HICP	Mar	% m/m	0.5		-	0.5
14:00	PL	MPC minutes			-			
14:30	US	Initial Jobless Claims	Mar-18	k	230		-	229
14:30	US	Personal Spending	Feb	% m/m	0.2		-	0.2
14:30	US	Personal Income	Feb	% m/m	0.4		-	0.4
14:30	US	PCE Deflator SA	Feb	% m/m	0.2		-	0.4
16:00	US	Michigan index	Mar	pts	102.0		-	102.0
FRIDAY (30 March)								
No important events								

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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Additional information is available on request. Please contact Bank Zachodni WBK S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>.