

# EYEOPENER

29 March 2018

## US growth stabilised equities and supported USD

- Final US GDP for 4Q17 supported the dollar
- Moody's raised forecasts for Poland
- Polish housing market hot, but not overheated
- Yields in Poland and abroad down
- Today MPC minutes, CNB decision, PCE inflation in the USA

EURUSD was stable in the first part of the session. In the afternoon, after the US GDP data release (final reading) the exchange rate started to go down. The private consumption surprised on the positive side while the PCE deflator rose from 1.3% to 1.9% as expected. The effect on EURUSD was strengthened by solid wholesales inventory data from February. The US stocks still were under pressure of the technology stocks sell-off, but at the end of Wednesday, the indices made up for losses. Other equity markets were relatively stable. On the global bond markets, the yields fall were continued, especially in the case of US treasuries. Domestic bonds yields touched 3.20% (important technical level), which was the turning point of the downward trend in December and January. The bonds strengthening was not accompanied by the solid demand for JPY and CHF (yesterday these currencies depreciated against USD). Moreover, the gold prices went down. Therefore, it is difficult to call markets behaviour as rising risk aversion, especially as trade was revived by good US data.

We do not expect the MPC minutes from the March meeting to change much as regards monetary policy outlook. Most likely, this will be the doves' song of triumph

### Moody's raised forecasts for Poland

Last Friday, the rating agency did not issue a full report updating Poland's rating (it remained at A2 with a neutral outlook), but revealed further details of its opinion (we presented some of these yesterday). GDP 2018 forecast was raised from 3.5% to 4.3% (thus matching our view) and to 4.0% in 2019 (where we assume 3.5%). The inflation forecast was revised from 2.2% to 2.7% for this year while CPI was projected at 3% in 2019. The deficit forecast was clearly reduced - from 2.7% to 1.8% of GDP this year. Next year it is forecasted at 2.3%, still far from the 3% threshold limiting the EU states. Despite such positive revisions, the agency assumes that the economy will be affected by workforce shortages, only partially counterbalanced by the inflow of immigrants and growing labour activity. Although the agency lowered the expected debt-to-GDP ratio for Poland, it noted that this number was still substantially higher than for other countries in the A-rating group. The new set of Moody's forecasts was based on the assumption that Poland's conflict with the EU would not escalate.

### Poland's real estate market warm yet not overheated

NBP's quarterly report on the housing market confirmed continuation of the high activity. Both demand and supply remain high which, in the

opinion of NBP analysts, does not currently lead to a significant acceleration in transactional prices (the average growth rate for transactional prices on the secondary market for 10 largest cities accelerated from 4% in 3Q2017 to 5% in 4Q2017 and from 3.6% to 4.5%, respectively on the primary market). Despite that, other parts of the report imply that the supply may soon become insufficient. Description of flats whose owners change most suggests that the investment demand, financed mostly with equity, remains strong and this evidences search for yields higher than those offered by deposits. The note about the historically short time of a flat sale on the secondary market points to the market requiring monitoring to prevent overheating.

### FX market

The EURUSD solid drop repeated on Wednesday, although was a bit smaller than the day before, and again the rate was affected by the data release. This time the impulse came from the positive surprise in the third release of the US 4Q17 GDP growth. The rate started the day at 1.24 and declined by 0.05 quickly after the publication.

The zloty was strengthening versus the euro in a similar pace as in the last two days. At the end of the domestic session it was below 4.2050, although it started the day above 4.21. Improvement of sentiment towards emerging markets was broad-based and zloty did not outperform most of the EM currencies, although was doing relatively well among its CEE peers.

EURCZK did not repeat the pattern from the previous days, when the initial strengthening of koruna was cancelled later in the day. This time, after dropping from 25.48 to 25.45 the rate remained at this level. Today the Czech central bank decision is expected. The market is pricing-in one more interest rate hike by 25bp later this year, which is in line with the central bank's suggestions. It seems the only factor that could trigger market reaction would be information that the rate hike may take place in the first half of the year, instead of the second one. In such case the koruna would gain versus euro. The Hungarian forint also gained somehow yesterday, despite looming elections (April 8) and the poll released yesterday showed deterioration of ruling party's popularity. USDRUB remained in an upward trend, not only due to bigger demand for dollar after US data release but also due to cheaper crude oil.

### Debt market

US yields fell again, with 10Y bond reaching 2.75%. German securities did not take cue, but Polish did - with another attempt to break below 3.20% at 10Y tenor. This is an important level, which set a reversing point in downward trend in December and January. The Finance Ministry informed that in 2Q18 the debt supply may lower than in 1Q18. This is in line with our expectations and is due to high level of gross borrowing needs coverage (50%).

### 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 Luźniński +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	4.2038	CZKPLN	0.1652
USDPLN	3.4112	HUFPLN*	1.3453
EURUSD	1.2324	RUBPLN	0.0591
CHFPLN	3.5676	NOKPLN	0.4342
GBPPLN	4.8012	DKKPLN	0.5641
USDCNY	6.2903	SEKPLN	0.4089

\*for 100HUF

## Last session in the FX market

28/03/2018

	min	max	open	close	fixing
EURPLN	4.201	4.217	4.211	4.205	4.2097
USDPLN	3.390	3.410	3.392	3.406	3.3956
EURUSD	1.234	1.242	1.241	1.235	-

## Interest rate market

28/03/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.50	1	15-Mar-18	OK0720	1.547
PS0123 (5L)	2.38	-1	15-Mar-18	PS0123	2.381
WS0428 (10L)	3.21	0	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	2.40	0	-0.26	0
2L	1.88	0	2.56	-1	-0.16	0
3L	2.06	0	2.64	-2	0.02	0
4L	2.23	0	2.68	-3	0.21	0
5L	2.38	0	2.70	-4	0.38	0
8L	2.70	-1	2.75	-5	0.77	0
10L	2.88	0	2.78	-5	0.97	0

## WIBOR rates

Term	%	Change (bps)
O/N	2.29	28
T/N	2.26	27
SW	1.59	0
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	1.80	0

## Measures of fiscal risk

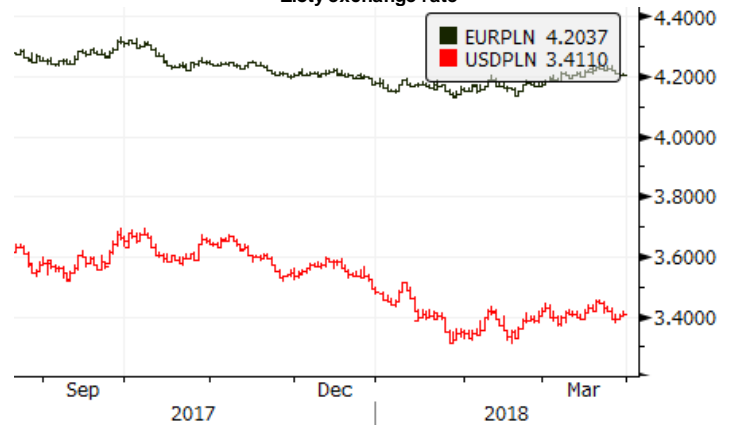
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.71	-1
France	18	0	0.23	0
Hungary	116	1	1.89	-1
Spain	41	0	0.70	0
Italy	102	0	1.34	0
Portugal	64	0	1.12	-1
Ireland	25	0	0.41	-1
Germany	10	0	-	-

\* 10Y treasury bonds over 10Y Bunds

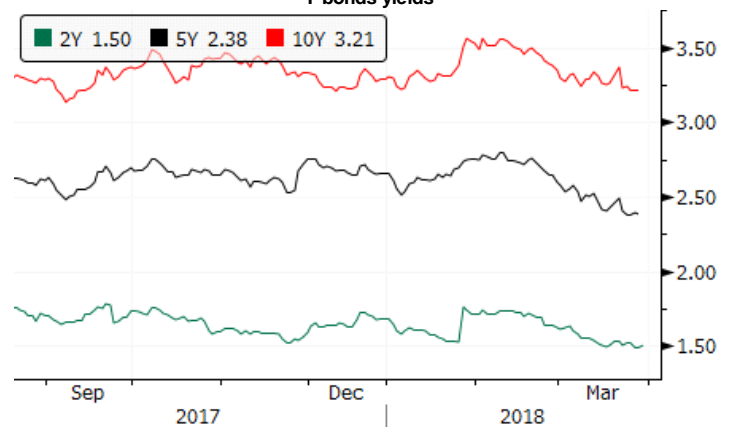
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

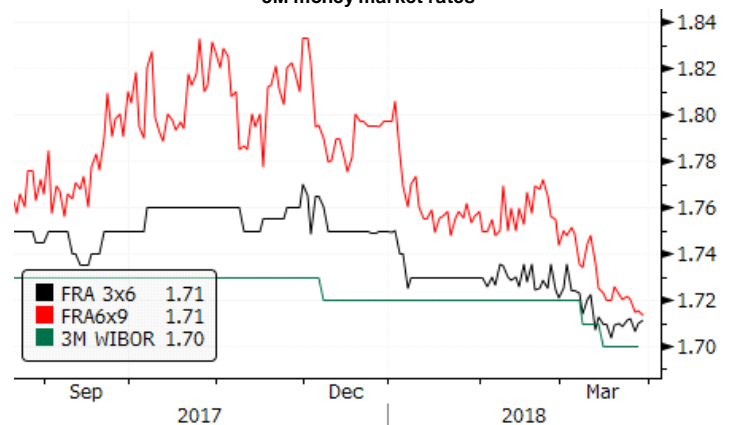
## Zloty exchange rate



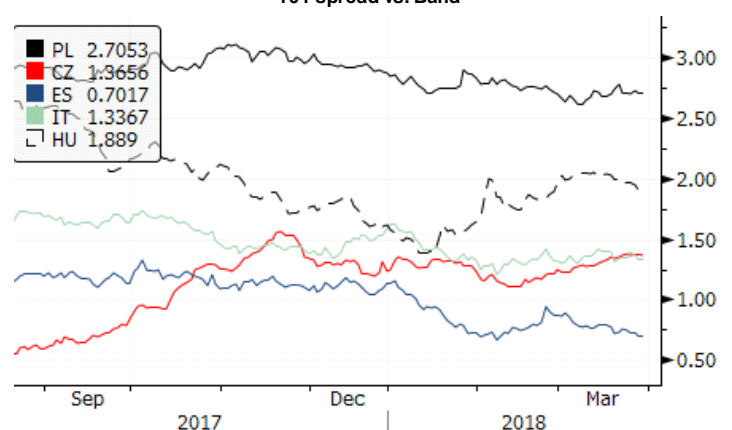
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

TIME		INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE
CET				MARKET	BZWBK		
FRIDAY (23 March)							
10:00	PL	Unemployment Rate	%	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	112.6	114.1
11:30	PL	Bond Auction			-		
14:00	HU	Central Bank Rate Decision	Mar-18	%	0.9	0.9	0.9
16:00	US	Consumer Conference Board	Mar	pts	131.0	127.7	130.8
WEDNESDAY (28 March)							
14:30	US	GDP Annualized	4Q	% Q/Q	2.7	2.9	2.5
16:00	US	Pending Home Sales	Feb	% m/m	2.0	3.1	-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	Dec-17		-		
14:30	US	Initial Jobless Claims	Mar-18	k	230.0	-	229.0
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

This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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>.