

EYEOPENER

10 April 2018

Xi Jinping improves market mood

- The beginning of the week in the better mood, thanks to China president statement
- Zloty slightly stronger, EURUSD still under the influence of last US labour market data
- Polish t-bonds yields noticeably lower, the core markets rather stable
- Today Morning: Hungary March inflation below forecast, Czechish in line

The start of the week on the global market was in good sentiment despite weak data on German export, which help the zloty, the forint and the koruna show gains during the yesterday session. There were no publications of other data and trading was calm. This morning the sentiment is improved by a remark by the Chinese president Xi Jinping, who announced broader opening of the Chinese economy and a decrease of trade tariffs. This was received by the markets as a sign of less tension in the China-US relations. The Polish MPC starts its two-day meeting today.

Poland-EU dialogue on rule of law continues

Frans Timmermans, the Vice-President of the European Commission said yesterday after meeting the Polish PM, foreign affairs minister and representatives of judiciary institutions that it is too early to say if the row between Poland and EU on the rule of law can be ended and what will be the shape of the compromise. He said the EC will be closely monitoring Poland's actions and legislative changes to judge whether they address the Commission's concerns. At the same time, he admitted that the recent changes in Polish government have led to improvement of climate in Poland-EU relations. PM Mateusz Morawiecki and PiS leader Jarosław Kaczyński said earlier that they see very high chances of ending the rule of law conflict quickly.

Unemployment went down again

The Labour Ministry informed that the number of the unemployed fell by 33k m/m in March (and by 230k in annual terms), bringing the registered unemployment rate down to 6.6% from 6.8% (slightly higher than we expected). This is the lowest decline in unemployment in March in four years, yet business climate indicators show that demand for labour stays high. The remaining pool of the unemployed is small and includes may low-qualified people, so it is unable to satiate the labour demand.

FX market

EURUSD was fairly stable for the better part of the session and only at the end of the European trading hours the dollar again started to depreciate. Amid lack of new macro data, yesterday's rise to 1.232 might have been the continuation of move initiated after Friday's weaker-than-expected US labour market report. No important data are on the agenda today as well so the market may still be under the impact of weak nonfarm payroll figure. However, the importance of this release should gradually ease as the next US events are looming – inflation and FOMC minutes (tomorrow). EURUSD remains near 1.22 support and the next days might determine if we see next attempt to break it or the exchange rate will near resistance at 1.25.

EURPLN eased yesterday to nearly 4.19 from 4.20 approaching the last week's low. Polish currency gained also vs the dollar, franc and pound. EURPLN is holding within a narrow 4.19-4.21 range established during the first session of April. In our view, the situation on the Polish FX market should not change much as investors are waiting for the Wednesday's MPC decision and the outcome of the Council's meeting might put some pressure on the zloty.

In the case of the other CEE currencies, the biggest volatility was recorded in the case of ruble that lost sharply after the US imposed more sanctions on Russia – USDRUB skyrocketed above 60 from below 58.2 and this was the biggest daily rise since November 2016.

Debt market

On the domestic interest rate market the biggest changes were recorded on the long end of the curve where the 10Y bond yield fell 4bp continuing the impulse triggered after Friday's US data. Yield reached c3.05%, its lowest since November 2016 while the 5-10Y asset swap spreads narrowed again. Polish debt was outperforming its German and US peers that gave up part of Friday's gains. As a result, the PL-US bond spread fell again approaching the areas last time seen in 2006-2007 (-72bp for 2Y, -21bp for 5Y and +28bp for 10Y).

We think the recent domestic and global data should keep Polish bond yields low ahead of tomorrow's MPC decision. Good sentiment on the debt market increases chances that the MPC press conference (in our view with either neutral or dovish message) will support domestic papers.

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FX market

Today's opening

EURPLN	4.1920	CZKPLN	0.1655
USDPLN	3.4037	HUFPLN*	1.3472
EURUSD	1.2316	RUBPLN	0.0565
CHFPLN	3.5556	NOKPLN	0.4365
GBPPLN	4.8146	DKKPLN	0.5629
USDCNY	6.2971	SEKPLN	0.4072

*for 100HUF

Last session in the FX market

09/04/2018

	min	max	open	close	fixing
EURPLN	4.189	4.203	4.199	4.192	4.1967
USDPLN	3.400	3.425	3.418	3.403	3.4174
EURUSD	1.226	1.233	1.228	1.232	-

Interest rate market

09/04/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.48	0	05-Apr-18	OK0720	1.495
PS0123 (5L)	2.27	-1	05-Apr-18	PS0123	2.335
WS0428 (10L)	3.03	-3	05-Apr-18	WS0428	3.123

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	0	2.44	-1	-0.26	0
2L	1.86	0	2.59	-1	-0.15	0
3L	2.03	0	2.68	-1	0.03	0
4L	2.19	-1	2.72	0	0.20	0
5L	2.34	-2	2.74	0	0.37	0
8L	2.65	-1	2.79	0	0.76	0
10L	2.82	-1	2.82	0	0.96	0

WIBOR rates

Term	%	Change (bps)
O/N	1.59	0
T/N	1.59	1
SW	1.56	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	1
6x9	1.73	1
9x12	1.74	1
3x9	1.79	1
6x12	1.79	1

Measures of fiscal risk

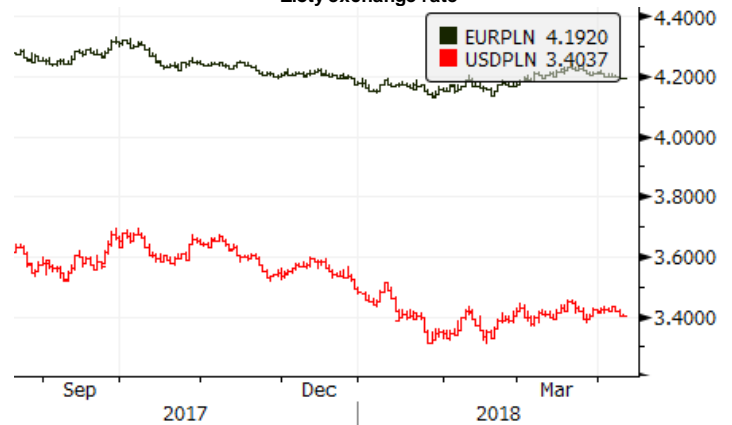
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.53	-3
France	17	0	0.23	0
Hungary	116	1	1.95	0
Spain	40	0	0.73	1
Italy	102	2	1.27	0
Portugal	64	0	1.18	0
Ireland	25	0	0.41	0
Germany	10	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

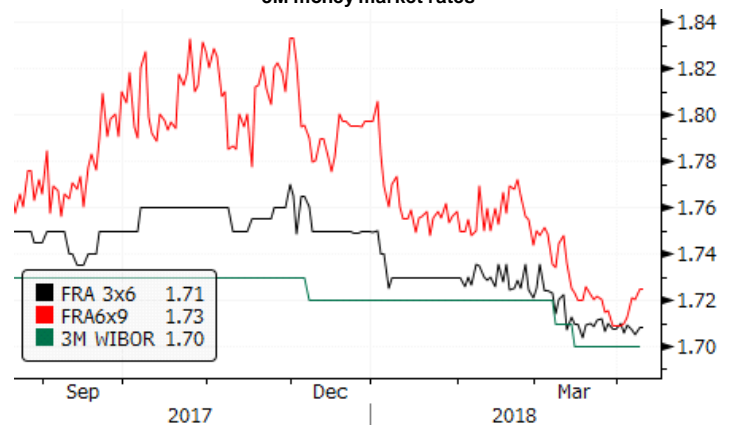
Zloty exchange rate



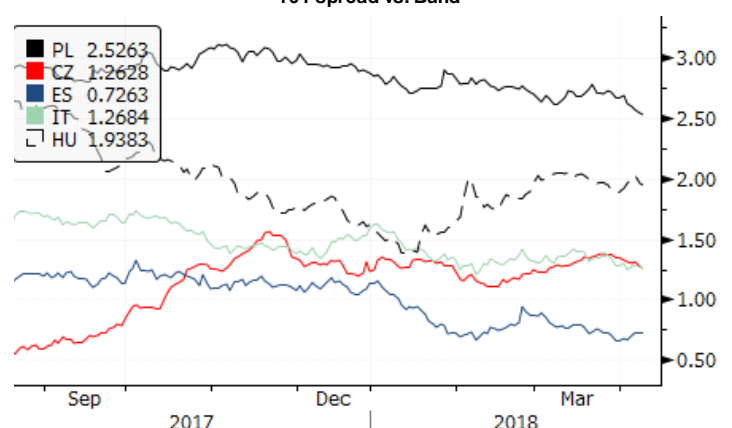
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

TIME		INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE	
CET				MARKET	BZWBK			
FRIDAY (6 April)								
08:00	DE	Industrial Production SA	Feb	% m/m	0.2	-1.6	-0.1	
09:00	CZ	Industrial Production	Feb	% y/y	5.9	2.7	5.5	
09:00	HU	Industrial Production SA	Feb	% y/y	4.3	4.1	6.7	
14:30	US	Change in Nonfarm Payrolls	Mar	k	185.0	103.0	313.0	
14:30	US	Unemployment Rate	Mar	%	4.0	4.1	4.1	
MONDAY (9 April)								
08:00	DE	Exports SA	Feb	% m/m	0.4	-3.2	-0.4	
TUESDAY (10 April)								
09:00	CZ	CPI	Mar	% y/y	1.7	1.7	1.8	
09:00	HU	CPI	Mar	% y/y	2.1	2.0	1.9	
WEDNESDAY (11 April)								
	PL	Poland Base Rate Announcement		%	1.5	1.5	-	1.5
14:30	US	CPI	Mar	% m/m	0.0	-	-	0.2
20:00	US	FOMC Meeting Minutes	Mar-18		-	-	-	0.0
THURSDAY (12 April)								
11:00	EZ	Industrial Production SA	Feb	% m/m	-	-	-	-1.0
14:30	US	Initial Jobless Claims		k	225.0	-	-	215.0
FRIDAY (13 April)								
08:00	DE	HICP	Mar	% m/m	-	-	-	0.4
10:00	PL	CPI		% y/y	1.3	1.3	-	1.4
14:00	PL	CPI Core	Mar	% y/y	0.9	0.92	-	0.8
14:00	PL	Current Account Balance	Feb	€mn	-411.5	-544.24	-	2005.0
14:00	PL	Trade Balance	Feb	€mn	-468.0	-310.0	-	-204.0
14:00	PL	Exports	Feb	€mn	16687.5	16792.0	-	16853.0
14:00	PL	Imports	Feb	€mn	17220.5	17102.0	-	17057.0
16:00	US	Michigan index	Apr	pts	101.0	-	-	101.4

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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