

EYEOPENER

13 April 2018

CPI and current account data in the spotlight

- Risky assets and dollar gain as geopolitical tensions ease
- EURPLN lower, Polish bond yields up
- Today, plenty of Polish data and S&P report awaited, abroad US data

Thursday saw risky assets gaining amid lower tensions regarding the situation on the Middle East. A few days ago Donald Trump said the US might launch missiles to Syria but yesterday he said this "could be very soon or not so soon at all". This change of tone towards more reserved boosted the dollar and EM currencies, including the ruble. The minutes from the last ECB meeting showed that central bankers are concerned about the euro strength and the impact of the trade war. This, together with below-consensus euro zone industrial output data weighed on the single currency.

Today we will see many Polish macro data – final March CPI and February balance of payment. Flash March CPI surprised to the downside falling to 1.3% y/y from 1.4% y/y. Although the stat office released some more details, it is still unknown what exactly caused the unexpected core CPI fall to 0.6% y/y (according to our estimates). One suspect are prices of financial services (that fell noticeably in February, according to Eurostat) and clothing and footwear. The latter usually rise in March but this time this seasonal pattern might have been distorted by long winter that delayed introduction of spring collections and methodological change in the stat office. Later in the day, the NBP will release February balance of payments. In our view, the current account balance returned into negative territory (-€544mn) after the more than €2bn surplus seen in January. The forecasted deterioration is only to a fractional degree result of expected bigger trade deficit – from -€200mn to -€300mn with exports growing 9.1% y/y and imports adding 10% y/y (lower y/y changes owing to no positive effect of number of working days).

EURUSD fell yesterday to 1.23 from 1.237 thanks to comment of the US president, tone of the ECB minutes and euro zone

macro data. We think that stabilization of global situation could support the dollar at the end of the week. The US data due later in the afternoon should be neutral for the market.

EURPLN fell yesterday for the fourth session in a row nearing 4.175. The zloty was boosted by improvement of the global market sentiment amid politicians comments. Return of demand for risky assets, hopes for soon end of the conflict with the EC and today's upgrade of at least Polish rating outlook enabled the zloty to recover all losses suffered vs the euro in March. We do not expect S&P to change either Polish rating or its outlook although the probability for the latter has increased as of recently. However, the tone of the report could turn towards more positive suggesting that some action may be likely after the next review. This might fuel the zloty appreciation impulse after the weekend.

In the case of the other CEE currencies, the koruna gained slightly, the forint remained fairly stable while the ruble appreciated noticeably amid lower US-Russia tensions. USDRUB has neutralized nearly half of the jump seen in the first part of the week triggered by new sanctions imposed by the US on Russia.

Global bond yields were on the rise after debt gains seen in the first part of the week amid US saying it could intervene in Syria. As a result, yesterday the US curve moved 4-5bp up while the German long-term yields shifted 2bp up (the belly and short end fell marginally). The 5-10Y yields dropped to the level from the "pre-Trump era" (ie before the series of TV debate between Trump and Clinton in autumn 2016, where Trump criticized Janet Yellen's ultra-low interest rates policy). Today we expect the yield curve downward pressure to maintain, due to the political tension uncertainty.

On the domestic interest rate market, bond yields rose 1-3bp with the biggest changes taking place on the long end while the IRS rate fell again. Polish bonds were performing pretty well for the better part of the day but Treasuries yields rise at the opening of the US session weighed on domestic debt. Today we expect Polish yields to rise following core markets.

ECONOMIC ANALYSIS DEPARTMENT:

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

email: ekonomia@bzwbk.pl

Web site: 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	4.1785	CZKPLN	0.1651
USDPLN	3.3894	HUFPLN*	1.3427
EURUSD	1.2328	RUBPLN	0.0550
CHFPLN	3.5183	NOKPLN	0.4360
GBPPLN	4.8260	DKKPLN	0.5612
USDCNY	6.2872	SEKPLN	0.4023

*for 100HUF

Last session in the FX market

12/04/2018

	min	max	open	close	fixing
EURPLN	4.177	4.191	4.185	4.177	4.1882
USDPLN	3.380	3.399	3.382	3.387	3.3924
EURUSD	1.230	1.238	1.238	1.233	-

Interest rate market

12/04/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.50	1	05-Apr-18	OK0720	1.495
PS0123 (5L)	2.24	1	05-Apr-18	PS0123	2.335
WS0428 (10L)	3.00	3	05-Apr-18	WS0428	3.123

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.50	3	-0.26	0
2L	1.84	-1	2.66	4	-0.14	0
3L	1.99	0	2.74	4	0.03	0
4L	2.14	0	2.78	5	0.21	0
5L	2.28	0	2.80	5	0.38	1
8L	2.59	0	2.84	5	0.76	1
10L	2.74	0	2.87	5	0.96	1

WIBOR rates

Term	%	Change (bps)
O/N	1.59	0
T/N	1.59	0
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	0
6x9	1.72	2
9x12	1.73	1
3x9	1.78	-1
6x12	1.80	1

Measures of fiscal risk

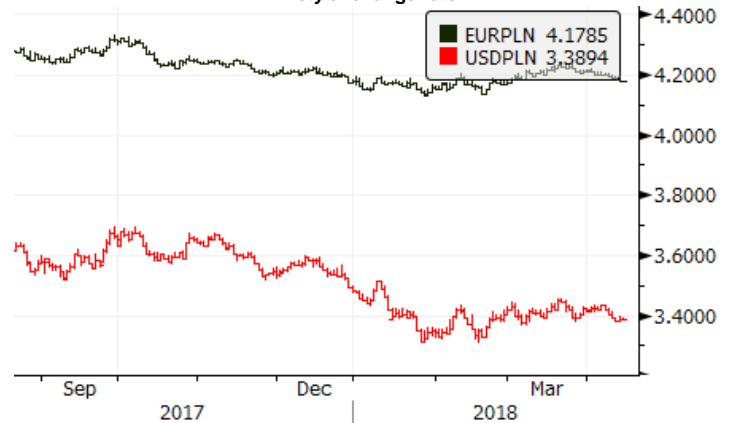
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.49	3
France	17	0	0.24	0
Hungary	116	1	1.88	-1
Spain	40	0	0.73	0
Italy	102	2	1.30	0
Portugal	64	0	1.17	0
Ireland	25	0	0.42	0
Germany	10	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

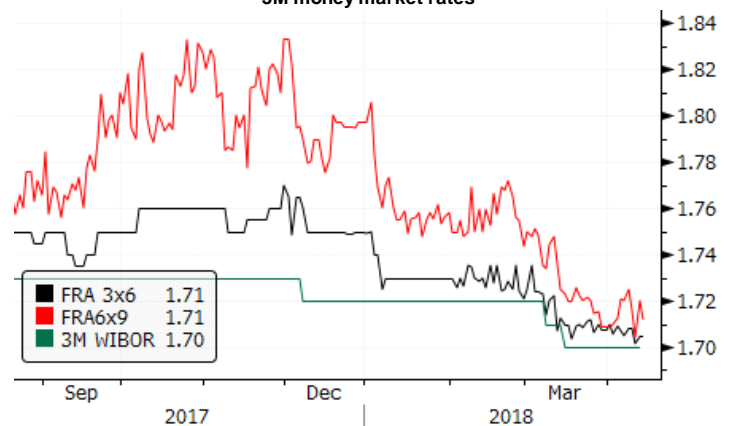
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

TIME	INDICATOR		PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	BZWBK	VALUE	VALUE
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	1.5
14:30	US	CPI	Mar	% m/m	0.0		-0.1	0.2
20:00	US	FOMC Meeting Minutes	Mar-18		-		-	-
THURSDAY (12 April)								
11:00	EZ	Industrial Production SA	Feb	% m/m	0.1	-	-0.8	-0.6
14:30	US	Initial Jobless Claims		k	225	-	233	215
FRIDAY (13 April)								
08:00	DE	HICP	Mar	% y/y	1.5	-	1.5	1.2
10:00	PL	CPI		% y/y	1.3	1.3		1.4
14:00	PL	CPI Core	Mar	% y/y	0.9	0.9		0.8
14:00	PL	Current Account Balance	Feb	€mn	-355	-544		2005
14:00	PL	Trade Balance	Feb	€mn	-468	-310		-204
14:00	PL	Exports	Feb	€mn	16687	16792		16853
14:00	PL	Imports	Feb	€mn	17220	17102		17057
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

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.