

# EYEOPENER

20 April 2018

## Industrial output grows slower

- **EURPLN and EURUSD stable despite volatile metals**
- **Polish and global bonds pressured by fears for higher inflation**
- **Domestic industrial output below forecasts, consumer confidence improves**
- **MPC's Sura and Ancyparowicz see no reason to change rates**

In April, there was a strong improvement of consumer sentiment in Poland, from an already high level. Both synthetic indicators – current assessment and outlook – set a new records. Consumers assessed their current financial situation much better (which is important, as an upward trend stopped in this category in mid-2017) and current economic situation as well. The economic outlook, as seen by consumers, continued to improve. They believe unemployment will keep falling. Only in the case of attitude towards major purchases there is no upward trend for a year, only a stabilization at high levels. We read the consumer sentiment as a sign that contribution to GDP growth from private consumption will stay strong also in 2Q.

**Industrial output surprised to the downside** in March, expanding by a mere 1.8% y/y as compared to 7.4% y/y in February. The market was expecting 3%, our forecast was at 4.5% y/y. Output corrected for seasonal factors rose by 5.1% y/y, so was also lower than in the preceding months. Construction output rose 16.2% y/y in March, in line with our forecast (16.1% y/y) and market consensus (17.8% y/y). PPI inflation rebounded in March to 0.3% from -0.1% in February (after revision), the data beat consensus and our forecast (+0.1% y/y). Read more in our [Economic comment](#).

**MPC's Rafał Sura** said in an interview released by PAP this morning that he sees no reason to change interest rate within the next 12 months and low inflation at the start of this year postpones any rate hikes. Sura is aware of the tensions on the labour market but stressed that higher wage growth so far does not lead to higher inflation. In his view, in 2018 GDP growth may be above 4.2% and average CPI below 2.1% from the last NBP projection. In turn, Grażyna Ancyparowicz thinks rates could stay unchanged in the horizon of the NBP projection (ie until 2020), because it assumes solid growth and limited inflation. In her view consideration of rate cuts is 'pure fantasy'. Recent comments from MPC confirm that this year rates are going to stay in place. We see the first rate hike in late 2019.

**EURUSD** was oscillating in 1.236-1.239 range and only at the end of the day it fell to 1.233. The stabilisation was supported

by the US data, which was in line with forecasts, while a drop may have been due to rising commodity and metal prices, which encouraged the market to price-in faster rate hikes in the US. There are no important data releases today, so the trade may be calm.

**EURPLN** did not change too much yesterday, remaining close to 4.165. At the opening of today's session the equity market futures in Europe were slightly decreasing. This week equity market prices abroad were rising and the end of the week may be the time for profit taking, which could generate an upside pressure on EURPLN.

**As regards the other CEE currencies**, forint and ruble remained stable. Russian currency was not undermined by concerns about the need to pay back by the government of the USD26.1bn of Russian corporate debt maturing in Q2 and Q3 (as the companies' funds have been frozen due to the recent sanctions). Those negative news have been counterbalanced by rising prices of oil and aluminium. The Czech koruna was under pressure vs the euro for the third session in a row.

**On the core bonds markets**, the yields were rising in the second day in a row, driven by rising prices of oil and aluminum (as a reaction to the sanctions imposed on Russian companies). As a result, the US and Germany curve surged by 4-6bp in the 5-10Y segment (in the case of the US5Y bonds its yields reached the highest level since 2009). This morning the metals and commodities prices are falling, which can potentially help to stabilize bond prices at the end of the week.

**On the domestic bond market** yields were rising, following the core markets. As a consequence, the domestic curve shifted 1-4bp up, stronger on the long end of the curve. We do not expect further yields increases at the end of the week. The domestic bonds should be supported by core markets.

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## FX market

## Today's opening

EURPLN	4.1669	CZKPLN	0.1645
USDPLN	3.3777	HUFPLN*	1.3433
EURUSD	1.2336	RUBPLN	0.0553
CHFPLN	3.4742	NOKPLN	0.4330
GBPPLN	4.7453	DKKPLN	0.5595
USDCNY	6.2860	SEKPLN	0.4014

\*for 100HUF

## Last session in the FX market

19/04/2018

	min	max	open	close	fixing
EURPLN	4.161	4.171	4.164	4.167	4.1665
USDPLN	3.360	3.381	3.361	3.376	3.3693
EURUSD	1.233	1.240	1.239	1.235	-

## Interest rate market

19/04/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.51	0	05-Apr-18	OK0720	1.495
PS0123 (5L)	2.34	5	05-Apr-18	PS0123	2.335
WS0428 (10L)	3.04	3	05-Apr-18	WS0428	3.123

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.71	-1	2.53	1	-0.26	0
2L	1.86	0	2.72	1	-0.14	1
3L	2.01	1	2.81	2	0.04	2
4L	2.19	2	2.86	3	0.24	3
5L	2.34	3	2.88	4	0.42	4
8L	2.64	4	2.92	6	0.81	5
10L	2.81	4	2.95	7	1.02	5

## WIBOR rates

Term	%	Change (bps)
O/N	1.66	-8
T/N	1.66	-9
SW	1.60	-2
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	1.71	0
9x12	1.74	1
3x9	1.79	0
6x12	1.79	0

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.46	5
France	17	0	0.22	0
Hungary	116	1	1.88	1
Spain	38	0	0.70	2
Italy	96	-1	1.20	2
Portugal	64	0	1.06	1
Ireland	25	0	0.41	9
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

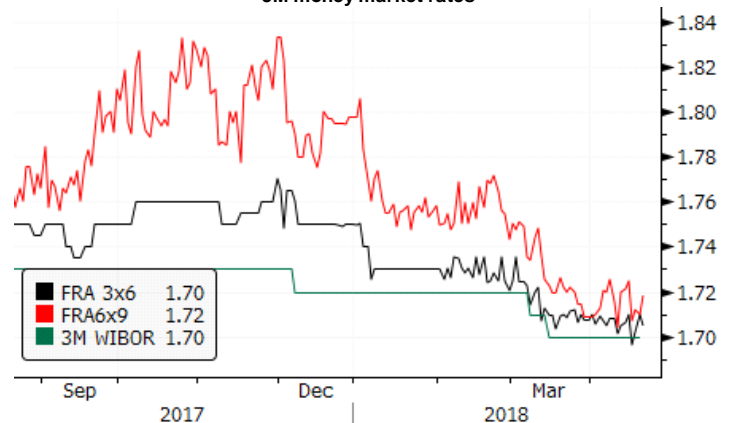
## Zloty exchange rate



## 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 (13 April)								
08:00	DE	HICP	Mar	% y/y	1.5		1.5	1.5
10:00	PL	CPI	Mar	% y/y	1.3	1.3	1.3	1.4
14:00	PL	Current Account Balance	Feb	€mn	-355.0	-544	-1017	2005
14:00	PL	Trade Balance	Feb	€mn	-515.0	-310	-573	-204
14:00	PL	Exports	Feb	€mn	16700.0	16792.0	16271	16853
14:00	PL	Imports	Feb	€mn	17241.0	17102.0	16844	17057
16:00	US	Michigan index	Apr	pts	100.5		97.8	101.4
MONDAY (16 April)								
14:00	PL	CPI Core	Mar	% y/y	0.9	0.7	0.7	0.8
14:30	US	Retail Sales Advance	Mar	% m/m	0.4	-	0.6	-0.1
TUESDAY (17 April)								
11:00	DE	ZEW Survey Current Situation	Apr	pts	88.0	-	87.9	90.7
14:30	US	Housing Starts	Mar	% m/m	2.5	-	1.9	-7.0
15:15	US	Industrial Production	Mar	% m/m	0.3	-	0.5	1.0
WEDNESDAY (18 April)								
10:00	PL	Employment	Mar	% y/y	3.7	3.7	3.7	3.7
10:00	PL	Average Gross Wages	Mar	% y/y	6.5	7.0	6.7	6.8
11:00	EZ	HICP	Mar	% y/y	1.4	-	1.3	1.4
20:00	US	Beige Book						
THURSDAY (19 April)								
10:00	PL	Sold Industrial Output	Mar	% y/y	2.9	4.5	1.8	7.4
10:00	PL	Construction Output	Mar	% y/y	17.8	16.1	16.2	31.4
10:00	PL	PPI	Mar	% y/y	0.0	0.1	0.3	-0.2
14:30	US	Initial Jobless Claims	Apr-18	k	230	-	232	233.0
FRIDAY (20 April)								
No important events								

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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