

EYEOPENER

27 April 2018

Euro weaker after ECB meeting

- **ECB meeting with no permanent market impact, new US data above expectations**
- **EURPLN close to this year peak, EURUSD fell to 1.21**
- **Polish and foreign bonds stronger**
- **Today Polish bond auction and MPC minutes, US GDP for 1Q18**

Since the start of the Thursday session markets were stable, awaiting the ECB decision. The euro was still weakening vs the dollar, but at a very slow pace. Hopes for easing of the central bank rhetoric were pushing bond yields down. US data were better than expected and contributed to the strengthening of the dollar later during the session.

According to PAP, preliminary reports about the **EU financial framework 2021-2027** suggest Poland will get EUR8bn (or 10%) less in cohesion funds vs the current financial framework. PAP also referred to estimates that Poland will get in total (including cohesion and CAP funds) EUR25bn (25%) less than before. These news may be highly imprecise, official data will likely come on May 2.

As expected, the ECB kept main interest rates on hold and maintained the will to continue its monthly asset purchases at €30bn per month at least until September. In the statement and during the press conference it was noticed that recent data releases were worse than expected, but according to the central bank the outlook for the European economy remains positive. At the same time, it has been stressed that risks connected with trade protectionism are higher. In general, there were no major changes in the bank's communication.

MPC member Eugeniusz Gatnar said that the upward trend in world interest rates will last for 10-20 years, mostly because of the labour market situation. In his view there is no alternative to rate hikes.

Bank of Japan did not change interest rates, the main refi rate is still at -0.1% but the sentence regarding the time when

inflation will reach its target was removed from the statement. The market viewed that as a hint that the central bank will not try to bring CPI back to its 2% y/y target fast. Currently, inflation in Japan stands at c1% y/y.

EURUSD was hovering yesterday just below 1.22 as investors were awaiting the ECB decision. The central bank made some reference to the recent poor European data which pushed the exchange rate down to 1.215. However, EURUSD returned fast back to 1.22 after the ECB remained its pretty optimistic view for the economy performance in the months to come. Next strong US data had a positive impact on the dollar and the exchange rate plummeted below the February's 1.215 low and ended the day around 1.21.

EURPLN held steady near 4.24 and USDPLN around 3.475 as the market was waiting for the ECB decision. Outcome of the central bank meeting did not have much impact on the global market but the dollar appreciation in late afternoon pushed USDPLN to 3.50. The passing week brought sharp zloty weakening. If the global market sentiment is positive today, the Polish currency could recover at least slightly. Today in the morning EURPLN is slightly below 4.23.

In case of the other CEE currencies, the forint gained slightly vs the euro yet before the ECB press conference while the koruna and ruble were under pressure.

On the domestic debt market yields was decreasing since the very morning, following the core debt markets and Euro periphery markets. The debt was supported by the expectations for the dovish rhetoric of the ECB. However, the result of the ECB meeting did not influence the market permanently, and the downward march of yields was quickly resumed. Today the regular debt auction was scheduled. We expect a high level of demand due to the over-liquidity on the market (yesterday PLN11.5bn of PS0418 matured) and limited supply on the auction (PLN4bn). We think that yesterday's ECB conference tone, as well as the today auction results will help to maintain yields on the low level until the end of the week.

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FX market

Today's opening

EURPLN	4.2273	CZKPLN	0.1660
USDPLN	3.4957	HUFPLN*	1.3516
EURUSD	1.2093	RUBPLN	0.0558
CHFPLN	3.5296	NOKPLN	0.4376
GBPPLN	4.8642	DKKPLN	0.5674
USDCNY	6.3408	SEKPLN	0.4030

*for 100HUF

Last session in the FX market

26/04/2018

	min	max	open	close	fixing
EURPLN	4.224	4.241	4.231	4.228	4.2392
USDPLN	3.464	3.497	3.472	3.487	3.4827
EURUSD	1.210	1.221	1.219	1.213	-

Interest rate market

26/04/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.49	0	05-Apr-18	OK0720	1.495
PS0123 (5L)	2.35	-7	05-Apr-18	PS0123	2.335
WS0428 (10L)	3.05	-5	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	2.55	-1	-0.26	0
2L	1.87	-1	2.75	-1	-0.13	0
3L	2.04	-2	2.85	-1	0.05	-1
4L	2.23	-2	2.91	-1	0.25	-1
5L	2.39	-3	2.94	-1	0.42	-2
8L	2.71	-2	3.00	-2	0.83	-2
10L	2.87	-2	3.03	-2	1.02	-3

WIBOR rates

Term	%	Change (bps)
O/N	1.54	2
T/N	1.56	4
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	-1
9x12	1.74	-1
3x9	1.79	0
6x12	1.80	-1

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.47	-4
France	17	0	0.23	0
Hungary	116	1	1.95	2
Spain	37	1	0.68	1
Italy	86	0	1.16	1
Portugal	64	0	1.08	0
Ireland	25	0	0.40	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

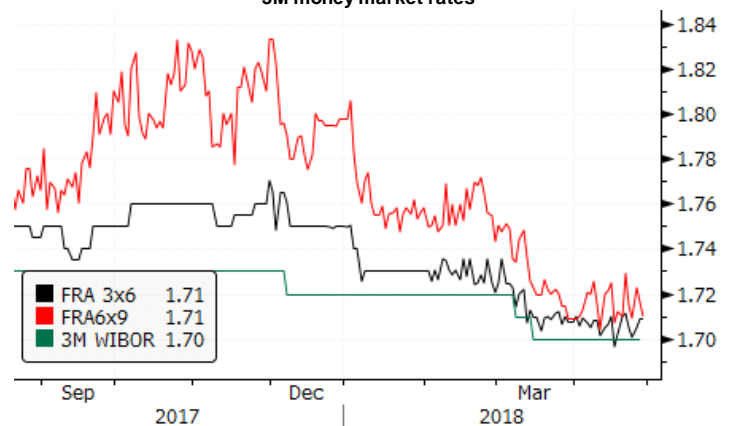
Zloty exchange rate



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 (20 April)								
No important events								
MONDAY (23 April)								
09:30	DE	Germany Manufacturing PMI	Apr	pts	57.5	-	58.1	58.2
09:30	DE	Markit Germany Services PMI	Apr	pts	53.7	-	54.1	53.9
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	56.0	-	56.0	56.6
10:00	EZ	Eurozone Services PMI	Apr	pts	54.6	-	55.0	54.9
10:00	PL	Real Retail Sales	Mar	% y/y	7.9	8.6	8.8	7.7
16:00	US	Existing Home Sales	Mar	% m/m	0.2	-	1.1	3.0
TUESDAY (24 April)								
10:00	DE	IFO Business Climate	Apr	pts	102.8	-	102.1	103.3
14:00	HU	Central Bank Rate Decision		%	0.90	-	0.90	0.9
14:00	PL	M3 Money Supply	Mar	% y/y	5.2	5.7	5.8	4.9
16:00	US	Consumer Conference Board	Apr	pts	126.0	-	128.7	127.0
16:00	US	New Home Sales	Mar	% m/m	1.9	-	4.0	3.6
WEDNESDAY (25 April)								
	PL	Buyback PS0418 (PLN11.5bn)	Apr					
10:00	PL	Unemployment Rate	Mar	%	6.5	6.6	6.6	6.8
THURSDAY (26 April)								
13:45	EZ	ECB Main Refinancing Rate	Apr-18	%	0.0	-	0.0	0.0
14:30	US	Durable Goods Orders	Mar	% m/m	1.6	-	2.6	3.5
14:30	US	Initial Jobless Claims	week	k	230	-	209	233
FRIDAY (27 April)								
11:00	EZ	ESI	Apr	pct.	112.0	-		112.6
11:30	PL	Bond Auction			-			
14:00	PL	MPC minutes						
14:30	US	GDP Annualized	1Q	% Q/Q	2.0	-		2.9
16:00	US	Michigan index	Apr	pts	98.0	-		97.8

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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