

EYEOPENER

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Correction on Polish bonds and currency

- **EU wants to refer to WTO if European companies suffer from the US decision to quit the Iran deal**
- **Złoty and domestic bonds recovered slightly from recent big losses**
- **Another decline of registered unemployment in Poland**
- **Today US CPI inflation**

On Wednesday the zloty and bonds regained some ground thanks to improved global sentiment, despite further tensions between USA and Iran (warnings of additional US sanctions and revival of Iran nuclear programme). Additionally, the EU representatives threatened to appeal to the WTO if European companies suffer due to Trump's decision to withdraw from the Iran deal. Oil prices went further up. Polish registered unemployment rate fell to 6.3% in April, as estimated by the Labour Ministry.

According to the Labour Ministry, in April **the registered unemployment rate fell to 6.3%** from 6.6% in March, in line with our forecast. In monthly terms, the number of unemployed fell by 48k, i.e. visibly less than one year ago (72k). Downward trend of unemployment is slowing down, we are expecting the figure to be slightly below 6.0% at the year-end.

EURUSD rebounded after Tuesday fall reaching 1.187 vs 1.183 seen at the opening and setting a daily high at above 1.189. The dollar gave up its gains as investors priced in the US decision to stop talks with Iran and amid continuation of US-China trade talks. Today we expect the dollar to resume appreciation as the market awaits the US April CPI (consensus expects a return to 2.5% y/y after it has spent roughly a year hovering below this level) that could influence pricing of Fed rate hikes this year.

On Wednesday **the zloty** tried to recover from the losses recorded last days. As a result, the zloty reversed the moves against EUR and partly against USD. As a consequence, EURPLN shifted from 4.2930 in the morning to 4.2630 in the

afternoon (vs. 4.2610 on Tuesday morning). The USDPLN slid from 3.6130 to 3.5950 (vs. 3.57 registered at Tuesday opening). This change was a derivative of improving mood vs emerging market currencies, which was a consequence of the stop of US dollar strengthening. It is worth to note that Turkish lira and South African rand outperformed the zloty. Today we expect the zloty to weaken, as a reaction to the US CPI data (which likely rose in April, due, among others, to higher oil prices).

In case of **other CEE currencies**, EURHUF was moving up, going from 314.90 to 315.50, although the inflation reading for April was higher than for March. EURCZK closed the day near the opening, i.e. at 25.58, moving little during the day. Czech koruna only temporarily reacted to worse than expected results of foreign trade. In case of USDRUB we saw a decline from 63.90 to 63.00, which was supported by rising oil prices. Brent oil price is approaching \$78 per barrel, its highest level since November 2014.

Core debt markets continued upward trend in yields in yesterday morning. In the afternoon the release of US PPI data (below expectations) helped the US debt market to trim some of the earlier losses. Still, the yield curve moved up 1-2bp during the day. The auction of US bonds, where 10Y yields were only marginally lower than 3% (for the first time since the financial crisis) did not have a long-lasting impact on the market. German debt ended the day with small gains (-1bp move in yields), despite its weakening in the morning.

Polish bonds recovered part of Tuesday's losses benefitting from improved global sentiment. As a result, Polish yield curve eased 5-6bp in 5-10Y tenor and 1bp on the front end. Asset swap spreads did not change.

Today we expect Polish debt to remain roughly stable for the better part of the day. The US inflation data scheduled for the afternoon could trigger some temporary volatility.

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FX market

Today's opening

EURPLN	4.2533	CZKPLN	0.1669
USDPLN	3.5856	HUFPLN*	1.3498
EURUSD	1.1862	RUBPLN	0.0572
CHFPLN	3.5692	NOKPLN	0.4448
GBPPLN	4.8583	DKKPLN	0.5710
USDCNY	6.3674	SEKPLN	0.4120

*for 100HUF

Last session in the FX market

09/05/2018

	min	max	open	close	fixing
EURPLN	4.261	4.297	4.280	4.263	4.279
USDPLN	3.584	3.634	3.603	3.596	3.609
EURUSD	1.182	1.190	1.188	1.186	-

Interest rate market

09/05/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.55	0	05-Apr-18	OK0720	1.495
PS0123 (5L)	2.50	-2	05-Apr-18	PS0123	2.335
WS0428 (10L)	3.26	1	05-Apr-18	WS0428	3.123

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.74	0	2.57	1	-0.26	0
2L	1.90	1	2.78	1	-0.13	2
3L	2.09	2	2.88	1	0.04	0
4L	2.30	0	2.93	1	0.22	0
5L	2.48	0	2.96	1	0.39	0
8L	2.82	1	3.01	2	0.79	1
10L	2.99	1	3.03	2	1.00	0

WIBOR rates

Term	%	Change (bps)
O/N	1.57	1
T/N	1.57	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	1.74	0
9x12	1.77	1
3x9	1.79	0
6x12	1.81	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.71	1
France	17	0	0.24	1
Hungary	116	1	2.15	3
Spain	39	1	0.76	2
Italy	89	0	1.38	5
Portugal	64	0	1.17	3
Ireland	25	0	0.42	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
CET				MARKET	BZWBK		VALUE
FRIDAY (May 4)							
14:30	US	Change in nonfarm payrolls	Apr	k	185	-	164
14:30	US	Unemployment rate	Apr	%	4.0	-	3.9
MONDAY (May 7)							
8:00	DE	Factory orders	Mar	% m/m	0.5	-	-0.9
9:00	CZ	Industrial output	Mar	% y/y	-0.2	-	-1.1
TUESDAY (May 8)							
8:00	DE	Industrial output SA	Mar	% m/m	0.8	-	1.0
8:00	DE	Exports	Mar	% m/m	1.8	-	1.7
WEDNESDAY (May 9)							
9:00	HU	Inflation	Apr	% y/y	2.3	-	2.3
THURSDAY (May 10)							
9:00	CZ	Inflation	Apr	% y/y	1.8	-	1.9
11:30	PL	Switch bond auction					
14:30	US	Inflation	Apr	% m/m	0.3	-	-0.1
14:30	US	Initial jobless claims	Week	k	218	-	211
FRIDAY (May 11)							
16:00	US	Flash Michigan	May	pt	98.3	-	98.8

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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