

EYEOPENER

14 May 2018

Today Polish current account release

- End of the week affected by US data
- Zloty erased gains against EUR, EURUSD slightly up again
- Domestic and core yields up amid USD data
- Today: Polish current account release

At the start of the Friday session the fx and interest rate markets were still under influence of the Thursday data about a slightly lower than expected inflation in the USA. On the core markets and the euro zone periphery yields were dropping, and the dollar was showing small losses vs other major currencies. Preliminary reading of Michigan index surprised somewhat positively, which helped maintain a correction of the morning decline of yields. The fx market ignored this publication.

EURUSD went on Friday through the Thursday peak and for a time being approached 1.195. The dollar was under pressure of the US data, but the scale and momentum of changes was smaller than on Thursday. Today there will be no important publications, but in the course of the day two FOMC members will be speaking (Mester and Bullard). In the last four weeks EURUSD was moving down, it seems possible that now we could see a profit taking phase.

EURPLN rebounded at the end of the week to 4.263 after the Thursday decline to 4.234, and USDPLN stayed around 3.57. The small depreciation of the zloty might have been caused by worse sentiment on the global market, equity indices moved down in Europe. We assume that in the short term EURPLN will be moving above the 4.23-4.24 zone. While the next domestic data should be positive for the currency, the geopolitical situation does not seem stable enough to allow a larger appreciation of the zloty.

In case of other CEE currencies, the koruna and the forint softened somewhat, and the ruble strengthened despite a decline of oil prices.

On the core debt market, bond yields were going down at the start of the day, but rose early in the afternoon. In due course,

US and German bonds yields ended the stay slightly higher. This was partly due to Michigan index, which proved a bit higher than expected.

We expect the yields to decline today in Europe, in a reaction to the news from Italy that the Five Star Movement and the League reached a compromise and are almost ready to form a government together.

On the domestic interest rate market IRS and bond yields continued the down trend initiated on Thursday after US CPI data. Polish debt was outperforming Bunds and Treasuries and at a similar scale like euro zone peripheries. In early afternoon Polish bonds changed the trend following core markets and gave up more than gained earlier that day. On the IRS market, long end closed below Thursday, the belly did not change while the front end rose slightly.

Today we expect slight drop of bond yields amid positive sentiment on the European core markets.

Today at 14:00 the NBP releases March balance of payments. In our view, current account deficit will be close to EUR1.2bn. The deterioration versus the last year (EUR0.3bn) will be mostly due to changes in the goods balance, with exports falling by c1.5% y/y and imports rising by c3.5% y/y. Note that exports were surprising to the downside for the last three months, showing that their path in 2018 is way lower than market analysts had expected. Product breakdown shows that most disappointing results were recorded by transport equipment and industrial supplies, i.e. by sectors being a part of global production chains and thus most correlated with the global business climate.

This week we will see Poland flash 1Q18 GDP data. We think the headline figure could stay close to 5% which might be positively received by investors. MPC rhetoric should not change much and be market-neutral. There are still geopolitical risks in the air and the markets may remain unstable in the short-term. As a result, we are reserved as regards the room for zloty appreciation and think bonds may perform quite well in the coming days.

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FX market

Today's opening

EURPLN	4.2624	CZKPLN	0.1673
USDPLN	3.5641	HUFPLN*	1.3522
EURUSD	1.1959	RUBPLN	0.0576
CHFPLN	3.5645	NOKPLN	0.4460
GBPPLN	4.8305	DKKPLN	0.5721
USDCNY	6.3403	SEKPLN	0.4146

*for 100HUF

Last session in the FX market

11/05/2018

	min	max	open	close	fixing
EURPLN	4.241	4.269	4.244	4.266	4.2569
USDPLN	3.558	3.578	3.563	3.572	3.5708
EURUSD	1.189	1.197	1.191	1.194	-

Interest rate market

11/05/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.52	-1	10-May-18	OK0720	1.580
PS0123 (5L)	2.48	-1	10-May-18	PS0123	2.490
WS0428 (10L)	3.22	-1	10-May-18	WS0428	3.242

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.74	0	2.54	-2	-0.25	0
2L	1.90	0	2.76	-2	-0.14	0
3L	2.08	0	2.86	-2	0.04	1
4L	2.28	0	2.90	-2	0.23	1
5L	2.45	0	2.93	-2	0.41	2
8L	2.79	0	2.97	-1	0.80	1
10L	2.95	0	3.00	-1	1.01	1

WIBOR rates

Term	%	Change (bps)
O/N	1.58	2
T/N	1.58	2
SW	1.57	1
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	1.73	0
9x12	1.76	0
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			2.66	-1
France	17	2	0.23	0
Hungary	116	1	2.23	1
Spain	41	2	0.72	1
Italy	96	8	1.32	1
Portugal	64	0	1.12	1
Ireland	25	0	0.40	0
Germany	10	2	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

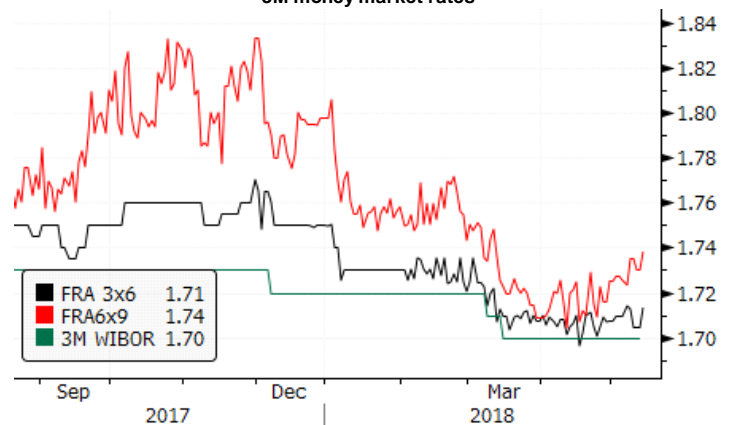
Zloty exchange rate



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 (11 May)							
16:00	US	Michigan index	May	pts	98.3	-	98.8
MONDAY (14 May)							
14:00	PL	Current Account Balance	Mar	€mn	-1 088	-1 184	-1 017
14:00	PL	Trade Balance	Mar	€mn	-502	-625	-573
14:00	PL	Exports	Mar	€mn	18 075	18 230	16 271
14:00	PL	Imports	Mar	€mn	18 522	18 855	16 844
TUESDAY (15 May)							
08:00	DE	GDP WDA	1Q	% y/y	2.4	-	2.9
09:00	CZ	GDP SA	1Q	% y/y	4.8	-	5.5
09:00	HU	GDP	1Q	% y/y	4.2	-	4.4
10:00	PL	CPI	Apr	% y/y	-	1.6	1.4
10:00	PL	GDP	1Q	% y/y	4.8	4.9	4.9
11:00	EZ	GDP SA	1Q	% y/y	2.5	-	2.5
11:00	EZ	Industrial Production SA	Mar	% m/m	0.6	-	-0.8
11:00	DE	ZEW Survey Current Situation	May	pts	86.2	-	87.9
14:30	US	Retail Sales Advance	Apr	% m/m	0.35	-	0.6
WEDNESDAY (16 May)							
	PL	Poland Base Rate Announcement		%	1.5	1.5	1.5
08:00	DE	HICP	Apr	% m/m	-0.1		-0.1
11:00	EZ	HICP	Apr	% y/y	1.2		1.2
14:00	PL	CPI Core	Apr	% y/y	0.6	0.67	0.7
14:30	US	Housing Starts	Apr	% m/m	0.08		1.9
15:15	US	Industrial Production	Apr	% m/m	0.55		0.51
THURSDAY (17 May)							
14:30	US	Index Philly Fed	May	pts	21.7	-	23.2
14:30	US	Initial Jobless Claims	week	k	219	-	211
FRIDAY (18 May)							
10:00	PL	Employment in corporate sector	Apr	% y/y	3.7	3.7	3.7
10:00	PL	Average Gross Wages	Apr	% y/y	7.1	7.4	6.7

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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