

# EYEOPENER

12 June 2018

## Politicians supported market mood

- **Short-lived influence of G7 on the market, investors await central banks**
- **Donald Trump – Kim Dzong Un meeting raised hopes for a decrease of geopolitical tension, dollar gained**
- **Zloty stronger vs the euro and the dollar, the forint weaker**
- **Domestic bonds stable, core markets weekend, euro zone peripheries strengthened**
- **Today US inflation, important vote on Brexit in the UK**

Concerns about intensification of global trade wars after the weekend G7 summit have had only a temporary impact on the market and the beginning of the week saw pretty good global market mood. The euro recovered after Friday's depreciation vs the dollar thanks to comments of the Italian economy minister saying that his country does not intend to leave the euro zone. Additional support for the single currency came from expectations for the Thursday ECB press conference when the central bank is assumed to present some guidance on the process of withdrawing from the QE program. Outlook for less accommodative monetary policy in the euro zone weighed on core bonds while the peripheries were under the positive impact of signals from Italy. Meeting of the US and North Korea leaders ended in positive atmosphere and a signed agreement together with plans for talks to continue. It provided additional fuel for stocks during the Asian session and hit the yen. Oil prices fell in the first part of the day after Russia announced plans to increase output but then moved back down after information on supply disruption in Nigeria. Today first important data appear in the calendar (German ZEW, US CPI) and the British parliament will discuss the "Brexit bill" (granting the parliament the final say and that could even block Brexit).

**MPC's Jerzy Osiatyński** said yesterday in Tok FM Radio that the new fuel charge will have a very small impact on the CPI. The government underlined that fuel distributors declared not to charge clients. Osiatyński said that trade wars would not cause much harm to the Polish economy.

**Finance minister Teresa Czerwińska** said in an interview for Rzeczpospolita daily that the government plans to liquidate VAT declarations and equalize its rates (mainly down) in 2019.

**Statistics Poland data on April foreign trade** support our forecast of balance of payments due to be released tomorrow by the central bank – we think exports accelerated to c9% y/y

from

-2% y/y while imports grew at even faster pace. Net, this would mean that trade balance of goods was close to zero in April.

According to Statistics Poland, in 1Q18 the **number of vacancies** reached 152.4k (all time high) growing 28.3% y/y (vs 51.1% in 4Q17). The number of new workplaces created in 1Q18 was 14.4% higher than in 1Q17 (vs 19.5% in 4Q17) and number of liquidated workplaces 11.3% y/y higher (vs 2.9% y/y in 4Q17).

**EURUSD** was moving close to 1.18, where it got from 1.173 on Friday and on Monday morning. The euro was supported by signals from Italian politics and by the upcoming ECB meeting. The trading range was rather narrow, but the situation may change today when we get to know the ZEW index from Germany and US inflation for May. In general, we see potential for further rise of EURUSD in the coming weeks, while the outcome of the ECB meeting will be key from the short-term perspective.

**EURPLN** dropped yesterday to 4.265 from 4.28 and USDPLN to 3.61 from 3.63 thanks to rising European stock indices and higher EURUSD. This morning the zloty weakened somewhat on the wave of dollar strengthening after the US-N.Korea summit. We still think that in the light of positive news from Poland in recent weeks there is potential for the zloty to appreciate in the near term.

Changes of **other CEE currencies** were mixed. The forint and the ruble lost yesterday. EURHUF went through 321, setting a new year-to-date maximum amid sell-off of Hungarian bonds. USDRUB rebounded to 62.6 from 62 when oil prices were declining, but failed to return as oil started to recover. The koruna gained vs the euro on higher-than-expected inflation, which in the market's view increase chances for another rate hike in Czechia.

**Yields of Polish bonds** went down a bit in the middle and on the long end of the curve, after the weakness from the end of last week. Negative pressure from core markets was offset by good performance of euro zone peripheries. We think Polish bond yields will remain at elevated levels awaiting the Thursday ECB decision. We assume that the rhetoric of the press conference will not put negative pressure on bonds and in the following days there could be larger declines of yields.

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## FX market

## Today's opening

EURPLN	4.2724	CZKPLN	0.1667
USDPLN	3.6325	HUFPLN*	1.3287
EURUSD	1.1762	RUBPLN	0.0578
CHFPLN	3.6782	NOKPLN	0.4510
GBPPLN	4.8492	DKKPLN	0.5736
USDCNY	6.4038	SEKPLN	0.4186

\*for 100HUF

## Last session in the FX market

11/06/2018

	min	max	open	close	fixing
EURPLN	4.263	4.282	4.278	4.270	4.2717
USDPLN	3.611	3.641	3.638	3.622	3.6247
EURUSD	1.176	1.182	1.177	1.179	-

## Interest rate market

11/06/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.57	0	24-May-18	OK0720	1.637
DS1023 (5L)	2.61	14	24-May-18	PS0123	2.481
WS0428 (10L)	3.28	-2	24-May-18	WS0428	3.211

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.76	0	2.60	2	-0.24	0
2L	1.95	1	2.80	3	-0.12	0
3L	2.17	2	2.89	4	0.05	1
4L	2.38	2	2.93	4	0.23	2
5L	2.57	2	2.95	4	0.40	3
8L	2.92	1	2.99	4	0.81	2
10L	3.09	1	3.03	4	1.02	2

## WIBOR rates

Term	%	Change (bps)
O/N	1.60	0
T/N	1.60	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	1.71	0
3x6	1.72	0
6x9	1.76	0
9x12	1.81	1
3x9	1.80	0
6x12	1.84	0

## Measures of fiscal risk

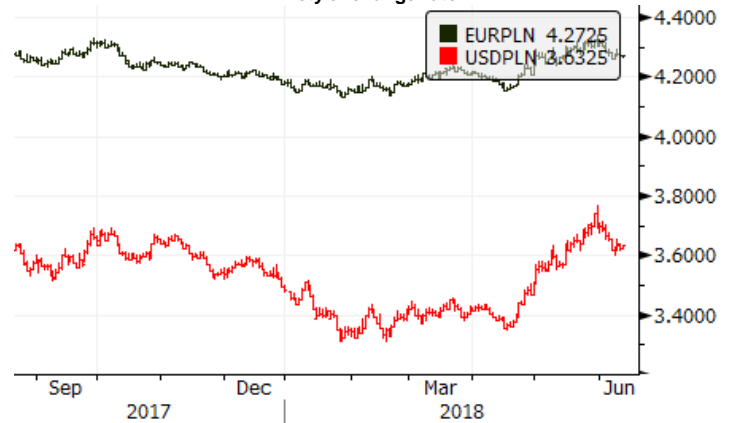
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.78	-2
France	28	1	0.40	-1
Hungary	116	1	2.74	0
Spain	67	-5	0.94	-1
Italy	232	-23	2.30	-4
Portugal	64	0	1.47	-1
Ireland	25	0	0.57	-1
Germany	12	1	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

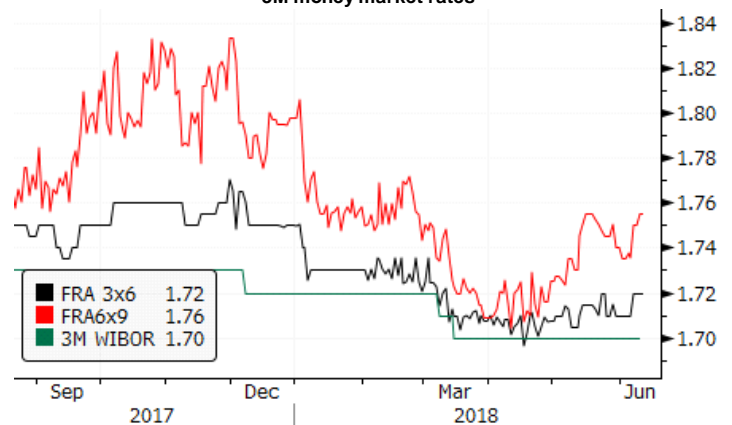
## Zloty exchange rate



## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic calendar								
TIME		INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE
CET					MARKET	BZWBK		
FRIDAY (8 June)								
	PL	Fitch Rating Review						
8:00	DE	Exports SA	Apr	% m/m	-0.3	-	-0.3	1.8
8:00	DE	Industrial Production SA	Apr	% m/m	0.3	-	-1.0	1.7
9:00	HU	CPI	May	% y/y	2.6	-	2.8	2.3
MONDAY (11 June)								
9:00	CZ	CPI	May	% y/y	-	-	2.2	1.9
TUESDAY (12 June)								
11:00	DE	ZEW Survey Current Situation	Jun	pts	85.0	-		87.4
14:30	US	CPI	May	% m/m	0.2	-		0.2
WEDNESDAY (13 June)								
11:00	EZ	Industrial Production SA	Apr	% m/m	-	-		0.5
14:00	PL	Current Account Balance	Apr	€mn	-	-237		-982
14:00	PL	Trade Balance	Apr	€mn	-	-20		-317
14:00	PL	Exports	Apr	€mn	-	17 288		18 117
14:00	PL	Imports	Apr	€mn	-	17 308		18 434
20:00	US	FOMC decision		%	1.75-2.0	-		1.50-1.75
THURSDAY (14 June)								
8:00	DE	HICP	May	% m/m	-	-		0.6
10:00	PL	CPI	May	% y/y	-	1.7		1.7
13:45	EZ	ECB Main Refinancing Rate		%	-	-		0.0
14:30	US	Initial Jobless Claims	week	k	220	-		221.0
14:30	US	Retail Sales Advance	May	% m/m	0.4	-		0.2
FRIDAY (15 June)								
11:00	EZ	HICP	May	% y/y	-	-		1.9
14:00	PL	CPI Core	May	% y/y	-	0.6		0.6
15:15	US	Industrial Production	May	% m/m	0.3	-		0.72
16:00	US	Michigan index	Jun	pts	98.2	-		98.0

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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