

# EYEOPENER

15 June 2018

## ECB not in a hurry to raise rates

- **Dovish ECB weakens the euro and supports bonds**
- **Zloty's appreciation potential limited by a strong rebound of USDPLN**
- **Polish May CPI did not surprise**
- **Today Polish core CPI, euro zone inflation, US industrial output**

The ECB left interest rates unchanged and confirmed it wants to end the asset purchases this year. Just like one could have suspected, the tone of the statement and press conference had the biggest impact on the market. Key for the investors reaction was the sentence saying that interest rates will "remain at their present levels at least through the summer of 2019" or longer. This remark was pretty surprising as the most recent comments of the ECB members made the market price in that interest rate hikes will be delivered in mid-2019 at the latest. Mario Draghi said during the press conference that such declaration on interest rates was approved unanimously and that the timing for the first hike was not discussed. Dovish tone of the statement and press conference had a negative impact on the euro and supported European bonds. Today the US is to announce trade tariffs on Chinese imports. Yesterday's signals from the White House suggested that president Trump has not changed his mind on the issue which provided additional support for the dollar. The EM currencies were under negative pressure of massive Argentine peso depreciation.

**The ECB released its updated GDP and CPI forecasts.** In the bank's view, this year the euro zone GDP will grow 2.1% vs 2.4% expected in March. Forecasts for 2019 and 2020 were left unchanged at 1.9% and 1.7%, respectively. CPI estimates were lifted to 1.7% for 2018 and 1.4% for 2019. The ECB announced that since September monthly bond purchases will be reduced to €15bn from currency €30bn and the program will end in December.

In 2019, the **minimum wage** is to go up to PLN2220 (+5.7% y/y) and minimum hourly wage to PLN14.50 from PLN13.70 this year.

Yesterday **EURUSD** plunged to 1.164 from 1.182 in reaction to surprisingly dovish signals from the ECB. The rate slid to the lowest level in a month and cancelled the last week's gains in one day. In

our view, the rate will remain low under impact of ECB rhetoric. Today in the morning the pair is already below 1.16.

**EURPLN** fell yesterday to 4.263 in reaction to dovish message from the ECB meeting, but the appreciation of the dollar caused that the zloty did not manage to hold gains. USDPLN rose sharply from 3.61 to above 3.67 due to decline in EURUSD and extended the move above 3.70 overnight. Since the start of the week the EURPLN fluctuations are quite small and at this moment the weekly spread between the peak and the bottom is the lowest since November 2017. We think that today's session will not bring many changes and EURPLN will remain close to 4.28. Strong dollar could limit the zloty's potential to appreciate.

As for **other CEE currencies**, forint was under pressure, koruna gained temporarily against the euro, while the ruble was stable vs against the US dollar. The Hungarian currency was under pressure of the central banker remarks. Gyula Pleschinger said that he does not see need to change the Hungarian central bank's stance from current dovish one, despite the strong rise of yields of Hungary's sovereign bonds (in the case of 10Y bonds - to 3.40% currently from 2.0% at the beginning of the year) and the weakening forint.

On the **domestic interest rate market** the yields and IRS rate decreased by 1-3 bp, stronger in case of bond yields. The yields' decline was mainly driven by the dovish ECB rhetoric, which pushed up the core markets bonds prices. As a result, the yields of 10Y domestic bonds neared the lower end of the 3.20%-3.50% range, in which the yields remaining since mid-May.

**Final May CPI data confirmed that inflation rose to 1.7% y/y from 1.6% y/y.** Statistics Poland revised the monthly consumer prices change to +0.2% from +0.1%. CPI rise would not be possible without higher fuel prices that jumped 5.6% m/m. Headline CPI is likely to surpass 2% y/y in the months to come given high oil prices, but in 2H18 the high base effect will bring it down to 1.5% again.

**Today** at 14:00CET the NBP is due to release May core inflation. According to our estimates, this measure was at 0.6% y/y. In the following months, we are expecting core inflation to go up and reach 1.4% y/y in 4Q18. At 10:00 the Statistics Poland is to show revised quarterly GDP data for the previous years.

### ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40

email: [ekonomia@bzwbk.pl](mailto:ekonomia@bzwbk.pl)

Web site: [skarb.bzwbk.pl](http://skarb.bzwbk.pl)

Piotr Bielski +48 22 534 18 87

Marcin Luziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Konrad Soszyński +48 22 534 18 86

Marcin Sulewski +48 22 534 18 84

### TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

## FX market

## Today's opening

EURPLN	4.2842	CZKPLN	0.1665
USDPLN	3.7042	HUFPLN*	1.3264
EURUSD	1.1566	RUBPLN	0.0593
CHFPLN	3.7129	NOKPLN	0.4556
GBPPLN	4.9053	DKKPLN	0.5751
USDCNY	6.4164	SEKPLN	0.4235

\*for 100HUF

## Last session in the FX market

14/06/2018

	min	max	open	close	fixing
EURPLN	4.265	4.284	4.272	4.279	4.2757
USDPLN	3.605	3.682	3.623	3.678	3.6155
EURUSD	1.162	1.185	1.179	1.163	-

## Interest rate market

14/06/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.63	2	24-May-18	OK0720	1.637
DS1023 (5L)	2.56	0	24-May-18	PS0123	2.481
WS0428 (10L)	3.20	-4	24-May-18	WS0428	3.211

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.75	0	2.62	1	-0.26	-1
2L	1.94	-1	2.84	2	-0.16	-4
3L	2.13	-2	2.92	1	0.00	-5
4L	2.32	-3	2.95	1	0.17	-5
5L	2.49	-4	2.95	0	0.33	-5
8L	2.84	-4	2.98	-1	0.74	-5
10L	3.00	-4	3.00	-2	0.95	-5

## 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	1.73	0
6x9	1.75	-1
9x12	1.79	-2
3x9	1.82	0
6x12	1.85	-1

## Measures of fiscal risk

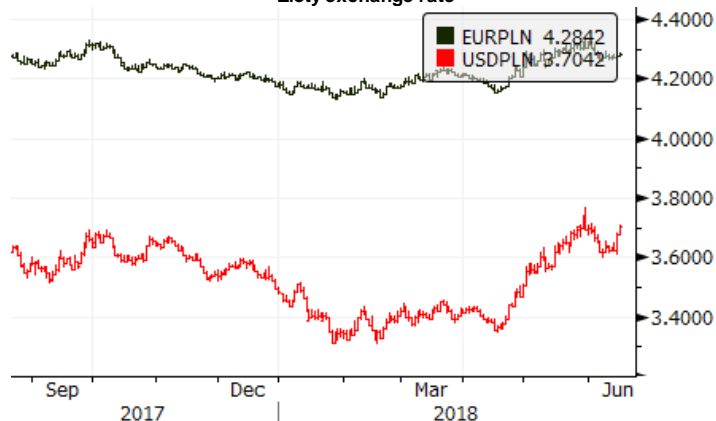
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.80	-2
France	27	-1	0.34	0
Hungary	116	1	3.00	1
Spain	67	0	0.93	1
Italy	229	-3	2.25	-6
Portugal	64	0	1.48	0
Ireland	25	0	0.50	-1
Germany	12	-1	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

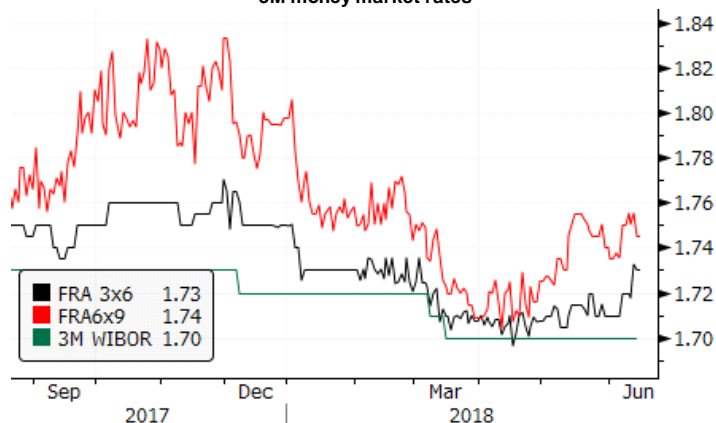
## Zloty exchange rate



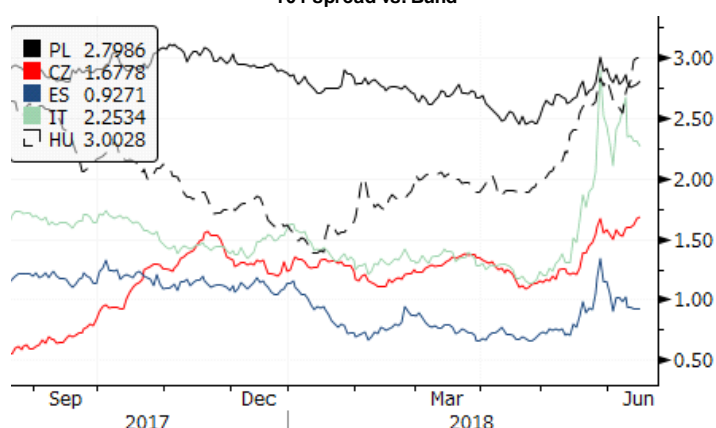
## T-bonds yields



## 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	-	80.6	87.4
14:30	US	CPI	May	% m/m	0.2	-	0.2	0.2
WEDNESDAY (13 June)								
11:00	EZ	Industrial Production SA	Apr	% m/m	-0.7	-	-0.9	0.6
14:00	PL	Current Account Balance	Apr	€mn	-253	-237	-21	-982
14:00	PL	Trade Balance	Apr	€mn	-76	-20	314	-317
14:00	PL	Exports	Apr	€mn	17 288	17 288	17 176	18 117
14:00	PL	Imports	Apr	€mn	17 339	17 308	16 862	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	-	0.6	0.6
10:00	PL	CPI	May	% y/y	-	1.7	1.7	1.7
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0	0.0
14:30	US	Initial Jobless Claims	week	k	223	-	218	221.0
14:30	US	Retail Sales Advance	May	% m/m	0.4	-	0.8	0.4
FRIDAY (15 June)								
11:00	EZ	HICP	May	% y/y	1.9	-		1.9
14:00	PL	CPI Core	May	% y/y	-	0.6		0.6
15:15	US	Industrial Production	May	% m/m	0.2	-		0.72
16:00	US	Flash Michigan index	Jun	pts	98.5	-		98.0

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@bzwbk.pl, http://www.bzwbk.pl.