

EYEOPENER

21 June 2018

EM currencies still under pressure

- Polish consumers still in good mood
- EURUSD stable at low level, zloty and its EM peers under pressure of risk for global foreign trade slowdown
- Polish yields down, core markets strong amid concerns of global situation
- Today, Poland retail sales and US initial jobless claims

On Wednesday no important data were released from major economies. Investors were tracking news from central bankers' conference in Sintra and signals that could indicate the direction for the global trade wars. What was mostly signaled was fear that trade wars would decrease global growth and investments as well as price levels (enterprises could be unwilling to raise their prices on the trade uncertainty). Unofficial information from the ECB was that the bank plans to increase the scale of reinvestments of bonds maturing from its book in 2019 and to introduce a more flexible investment policy. The goal would be to maintain favourable liquidity conditions and loose monetary policy. Yields responded globally by staying low, EURUSD also held near local bottom. Domestic bond yields fell, and EURPLN stayed high. In Poland consumer sentiment data were released showing optimism is still in place.

In June, **consumer confidence** remained very high, almost at a record level. This applies to both current conditions and consumer expectations for the next 12 months. What is remarkable now is the index of plans for major purchases (second-highest reading ever, only slightly lower than the record set last month) and the index of ability to save (a new record has been set here after a big improvement vs. May). It seems consumers are becoming more confident that the very good state of their household budgets will last and this is why they are signaling a preference for more active money management. Consumers' assessment of their current financial situation is still historically very high, but the index has remained flat since early 2017. With consumer confidence at such high levels, we think the slowdown of private consumption in 1Q to 4.8% y/y was a one-off phenomenon and believe that in 2Q we could see a reading of c5%.

EURUSD remained at the low level and oscillated between 1.156 and 1.159. Low volatility was a consequence lack of important data release, while the exchange rate staying low was a result of fears about global trade, after series of news about new tariffs which could be imposed in a "trade battle" by

the US and their trade partners. Today calendar is light, which should stabilize EURUSD.

EURPLN remained elevated close to 4.31 (and reached 4.32 this morning) given market worries about trade wars and despite positive moods on the stock market. Zloty and the other EM currencies remain under impact of geopolitical tensions and potential for EURPLN falls will remain limited as long as sentiments remain negative.

In the CEE region, the ruble gained thanks to higher oil prices and expectations about decisions of main oil producers, which dragged USDRUB lower to 63.50 from 63.80. EURHUF rebounded to 323.80 from 323.30 due to worries about negative impact of global trade disruptions on the Hungarian economy. EURCZK was oscillating in 25.80-25.85 range.

German and US bond yields were hovering in a narrow range. US papers climbed by 1bp, while German slid a bit.

The Polish curve fell by 3bp in 5-10Y segment amid stable shorter end. These changes were accompanied by stabilization of asset swap spreads. Today's release of retail sales data should not affect the market.

Polish retail sales data for May are due for release today. We are expecting the retail sales rebounded to 7.3% y/y after the weak April (4.0% y/y), driven mostly by a normalisation in food sales after the distortions due to the timing of Easter. In our view, consumer demand will remain strong for the remainder of the year.

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FX market

Today's opening

EURPLN	4.3214	CZKPLN	0.1672
USDPLN	3.7423	HUFPLN*	1.3321
EURUSD	1.1548	RUBPLN	0.0587
CHFPLN	3.7492	NOKPLN	0.4568
GBPPLN	4.9166	DKKPLN	0.5798
USDCNY	6.5054	SEKPLN	0.4199

*for 100HUF

Last session in the FX market

20/06/2018

	min	max	open	close	fixing
EURPLN	4.303	4.321	4.316	4.320	4.3171
USDPLN	3.715	3.738	3.730	3.728	3.7352
EURUSD	1.154	1.160	1.157	1.159	-

Interest rate market

20/06/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.63	1	15-Jun-18	OK0720	1.605
DS1023 (5L)	2.51	-1	15-Jun-18	PS0123	2.393
WS0428 (10L)	3.16	-3	15-Jun-18	WS0428	3.197

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.76	0	2.61	2	-0.25	0
2L	1.92	0	2.82	2	-0.17	0
3L	2.09	-1	2.89	2	-0.04	1
4L	2.27	-1	2.92	2	0.12	1
5L	2.43	-2	2.93	3	0.27	2
8L	2.76	-2	2.95	3	0.68	2
10L	2.93	-1	2.98	3	0.90	2

WIBOR rates

Term	%	Change (bps)
O/N	1.61	-1
T/N	1.61	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	1.74	0
6x9	1.76	1
9x12	1.80	0
3x9	1.81	-1
6x12	1.85	0

Measures of fiscal risk

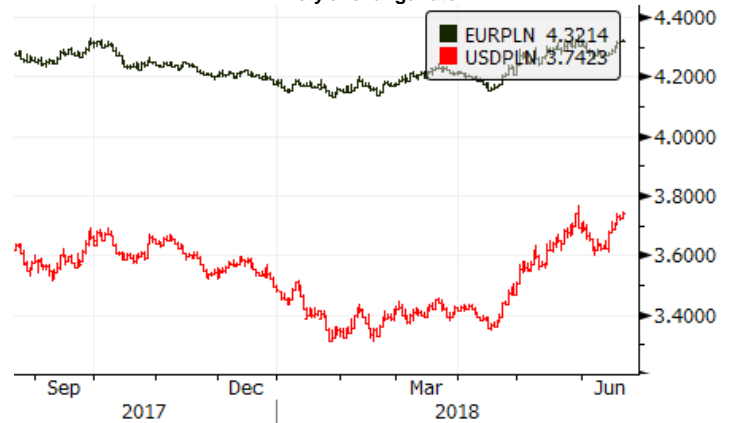
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.78	-3
France	27	-1	0.33	0
Hungary	116	1	3.09	-1
Spain	67	0	0.86	0
Italy	229	-3	2.16	-1
Portugal	64	0	1.36	0
Ireland	25	0	0.47	-1
Germany	12	-1	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

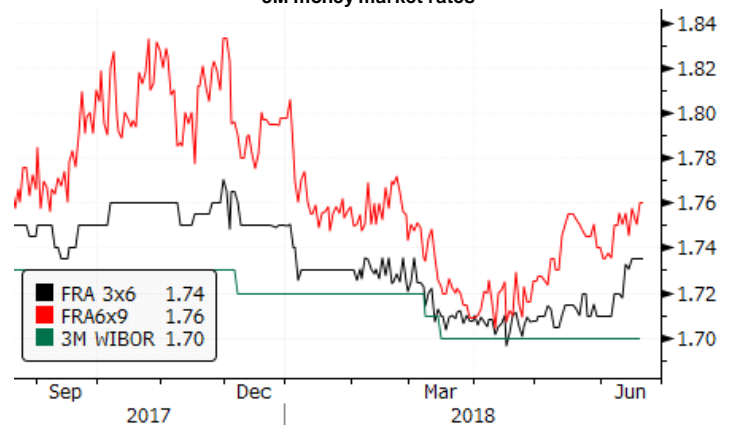
Zloty exchange rate



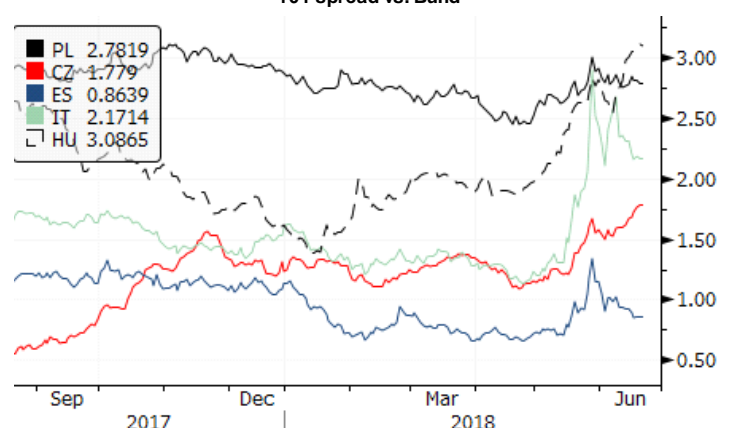
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic calendar								
TIME		INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST	
CET				MARKET	BZWBK		VALUE	
FRIDAY (15 June)								
11:00	EZ	HICP	May	% y/y	1.9	-	1.9	1.9
11:30	PL	Bond Switch Auction						
14:00	PL	CPI Core	May	% y/y	0.6	0.6	0.5	0.6
15:15	US	Industrial Production	May	% m/m	0.2	-	-0.1	0.72
16:00	US	Michigan index	Jun	pts	98.5	-	99.3	98.0
MONDAY (18 June)								
10:00	PL	Employment in corporate sector	May	% y/y	3.8	3.8	3.7	3.7
10:00	PL	Average Gross Wages	May	% y/y	7.1	7.6	7.0	7.8
TUESDAY (19 June)								
10:00	PL	Sold Industrial Output	May	% y/y	3.6	3.9	5.4	9.3
10:00	PL	Construction Output	May	% y/y	17.8	20.8	20.8	19.7
10:00	PL	PPI	May	% y/y	2.7	2.7	2.8	1.1
14:00	HU	Central Bank Rate Decision		%	0.9	-	0,9	0.9
14:30	US	Housing Starts	May	% m/m	1.9	-	5.0	-3.7
WEDNESDAY (20 June)								
10:00	PL	Consumer Confidence	May					
16:00	US	Existing Home Sales	May	% m/m	1.1	-	-0.4	-2.5
THURSDAY (21 June)								
10:00	PL	Retail Sales Real	May	% y/y	6.4	7.3		4.0
14:30	US	Initial Jobless Claims	week	k	220	-		218
14:30	US	Index Philly Fed	Jun	pts	28.7	-		34.4
FRIDAY (22 June)								
09:30	DE	Germany Manufacturing PMI	Jun	pts	56.2	-		56.9
09:30	DE	Markit Germany Services PMI	Jun	pts	52.1	-		52.1
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	55.0	-		55.5
10:00	EZ	Eurozone Services PMI	Jun	pts	53.7	-		53.8
10:00	PL	Stats Office business sentiment	May	pts				
14:00	PL	Money Supply M3	May	% y/y	5.9	5.88		5.7

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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