

# EYEOPENER

26 June 2018

## Market sell-off weigh on Polish assets

- **Murky market mood at the beginning of the week, stocks go down**
- **Poland labour market dynamics decelerate**
- **EURUSD slightly up, zloty and CEE currencies under pressure of weaker demand for risky assets**
- **Polish bonds go cheaper following stock markets**
- **Today: US consumer confidence**

At the start of the week global market sentiment was poor. European and US equity indices fell substantially due to continued fears that trade wars are going to soften global growth. Additionally, June Ifo index showed another decline of business sentiment in Germany, sixth in the last seven months. The index is now the lowest since March 2017. Today, equities were no longer decreasing in the morning, so we should see stabilization of domestic assets pricing today or even some correction after the fall.

**Wage growth in the corporate sector** excluding mining declined in May from 7.3% y/y to 6.9%. Such scale of slowdown is comparable to the negative effect of working day differences, so the May reading does not mean wage pressure is diminishing. The construction sector, where enterprises are most often signalling labour shortages, saw wage growth accelerating from 8.6% y/y to 10.2% (the highest pace since 2008). There was however no acceleration in services sector – for the last nine month its wage growth remained between 6.4% y/y and 7.5% and in May it approached the lower bound.

**The registered unemployment rate** decreased in May from 6.3% to 6.1%. In the post-crisis years the decline between April and May was 0.3-0.5pp, which suggests that it is already hard to pick new employees from the remaining unemployed. On the other hand, job offers statistics seem to have peaked, and there negative y/y growth appeared already in three months this year. The labour demand may be stabilizing. We also had the third decline in a row of seasonally adjusted business sentiment index of employment expectations in industry (reading for June).

**According to NBP data, in 1Q2018 the housing market** prices accelerated. Primary market transactional prices in 10 biggest cities climbed by 7.0% y/y and secondary market

transactional prices in 10 biggest cities rose by 7.7% y/y. Hedonic index (i.e. prices corrected for quality of houses) climbed by 5.8% y/y in 10 biggest cities. Price growths in these three statistics were the highest since 2Q2008. Housing prices advanced stronger than wages for the first time since 2011. The housing market is booming mostly thanks to strong labour market and inflow of workers from Ukraine. In the preceding quarters, the housing supply was rising at a solid pace, putting a cap on prices. However, the most recent data on housing supply suggested that it is slowing down and this can translate into further acceleration of housing prices.

Yesterday, **EURUSD** climbed for the third session in a row and approached 1.17 despite weak demand for risky assets and pessimistic data from Germany. Lack of reaction to weaker moods can suggest that the downward momentum of EURUSD, visible since mid-April, has run out of fuel and the euro may make up for losses in the weeks ahead. We are expecting this scenario to materialise.

**EURPLN** was long resilient to sharp deterioration of the global market sentiment but finally the zloty started to depreciate in the second part of the day. As a result, EURPLN jumped from 4.32 to above 4.34 reaching its fresh 2019 peak. USDPLN stayed flat around 3.715 thanks to higher EURUSD. The zloty and the other EM currencies remain under the impact of the global factors and situation is rather unlikely to change soon. Today at the opening the market mood is somewhat better than yesterday so the zloty could stabilize.

**In case of the other CEE currencies**, the koruna and forint lost vs the euro at the beginning of the week – EURCZK and EURHUF neared their this year's peaks established earlier this month. The ruble remained stable vs the dollar despite a noticeable drop in oil prices. This week the Czech central bank will decide on the interest rates. The 25bp hike is not that certain and if it is delivered, then the koruna could outperform its CEE peers.

**On the domestic interest rate market** long-term yields rose 2bp, stabilized on the belly and eased 1bp on the front end. IRS rates moved at a smaller scale. Polish market was following changes observed on the global market. UST yields fell 1bp while Bund curve somewhat less. Today we expect Poland 10Y yields to fall slightly as the Asian stock indexes ceased to fall.

### 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	4.3415	CZKPLN	0.1677
USDPLN	3.7107	HUFPLN*	1.3325
EURUSD	1.1700	RUBPLN	0.0591
CHFPLN	3.7572	NOKPLN	0.4576
GBPPLN	4.9225	DKKPLN	0.5826
USDCNY	6.5522	SEKPLN	0.4191

\*for 100HUF

## Last session in the FX market

25/06/2018

	min	max	open	close	fixing
EURPLN	4.313	4.350	4.321	4.346	4.3242
USDPLN	3.698	3.726	3.707	3.717	3.7087
EURUSD	1.163	1.170	1.166	1.169	-

## Interest rate market

25/06/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.61	0	15-Jun-18	OK0720	1.605
DS1023 (5L)	2.49	0	15-Jun-18	PS0123	2.393
WS0428 (10L)	3.18	2	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	2.60	-1	-0.25	0
2L	1.92	0	2.79	-2	-0.17	0
3L	2.08	1	2.86	-3	-0.04	0
4L	2.25	1	2.88	-3	0.11	-1
5L	2.41	1	2.89	-3	0.26	0
8L	2.72	1	2.92	-3	0.66	-1
10L	2.89	1	2.94	-3	0.89	0

## WIBOR rates

Term	%	Change (bps)
O/N	1.49	-11
T/N	1.50	-10
SW	1.55	-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	1.71	1
3x6	1.73	0
6x9	1.76	0
9x12	1.80	0
3x9	1.81	0
6x12	1.85	0

## Measures of fiscal risk

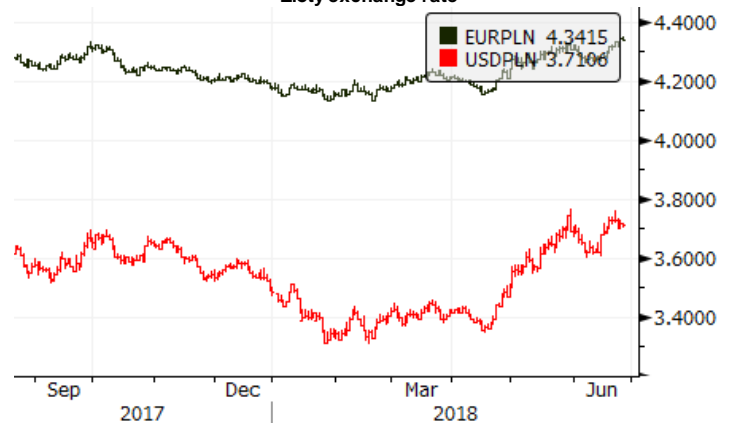
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.84	0
France	27	-1	0.39	0
Hungary	116	1	3.19	-2
Spain	67	0	1.01	-1
Italy	229	-3	2.47	-3
Portugal	64	0	1.49	-1
Ireland	25	0	0.52	0
Germany	12	-1	-	-

\* 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 (22 June)								
9:30	DE	Germany Manufacturing PMI	Jun	pts	56.3		55.9	56.9
9:30	DE	Markit Germany Services PMI	Jun	pts	52.2		53.9	52.1
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	55.0		55.0	55.5
10:00	EZ	Eurozone Services PMI	Jun	pts	53.8		55.0	53.8
10:00	PL	Stats Poland business sentiment	Jun/18	pts				
14:00	PL	Money Supply M3	May	% y/y	5.9	5.9	6.6	5.7
MONDAY (25 June)								
10:00	DE	IFO Business Climate	Jun	pts	-	-	101.8	102.2
10:00	PL	Unemployment Rate	May	%	-	6.1	6.1	6.3
16:00	US	New Home Sales	May	% m/m	1.2	-	6.7	-3.7
TUESDAY (26 June)								
16:00	US	Consumer Conference Board	Jun	pts	128.0	-		128.0
WEDNESDAY (27 June)								
8:00	DE	Retail Sales	May	% m/m	-	-		1.6
13:00	CZ	Central Bank Rate Decision		%	-	-		0.75
14:30	US	Durable Goods Orders	May	% m/m	-0.7	-		-1.6
16:00	US	Pending Home Sales	May	% m/m	1.0	-		-1.3
THURSDAY (28 June)								
11:00	EZ	ESI	Jun	pts	-	-		112.5
11:30	PL	Bond Auction			-			
14:00	DE	HICP	Jun	% m/m	-	-		0.6
14:30	US	GDP Annualized	1Q	% q/q	2.2	-		2.2
14:30	US	Initial Jobless Claims		k	220	-		218
FRIDAY (29 June)								
	PL	Central Budget Cumul.	May	bn PLN	-	-		9325.2
9:00	CZ	GDP SA	1Q	% y/y	-	-		4.4
11:00	EZ	Flash HICP	Jun	% y/y	-	-		1.9
14:00	PL	Current Account Balance Q	1Q1	€mn				
14:30	US	Personal Spending	May	% m/m	0.4	-		0.6
14:30	US	Personal Income	May	% m/m	0.4	-		0.3
14:30	US	PCE Deflator SA	May	% m/m	-	-		0.2
16:00	US	Michigan index	Jun	pts	-	-		99.3

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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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.