

EYEOPENER

28 June 2018

Markets still politics-driven

- Trade war and higher support for Donald Trump hit zloty
- Bonds gain amid geopolitical uncertainty
- Today ESI index and US weekly initial jobless claims

On Wednesday the issues of US-China and US-EU trade wars as well as limits for Chinese investment in USA were in focus. The dollar was strengthening, while stock markets gained with information that the US government want to ease its stance on Chinese investment. On the other hand, the euro was under pressure of worries that Angela Merkel will fail to end coalition crisis in Germany prior to EU summit on immigration. The zloty and the forint lose, while the Czech koruna and the ruble gained. Oil prices went up despite decision of oil-exporting countries to increase output. Worries about output in Libya, Canada and Iran proved more important. US yields fell, Polish bonds followed suit, while bonds in Europe were stable. Data on durable goods orders in the USA showed that US economic activity remains high but does not accelerate.

EURUSD resumed its downward trend amid softer tone of the US government on investment limit for Chinese companies. The downward move coincided with end of Germany-South Korea World Cup game, which have put an end to German presence on this tournament. In due course, EURUSD fell to 1.154 from 1.167 after the close of the Polish session, recording the biggest daily drop since the last ECB meeting. Today the exchange rate is close to 1.153 and is likely to remain close to a local minimum ahead of further comments of policymakers and numerous US data releases.

EURPLN was stable for the better part of the day, but started to climb in the afternoon, reacting to the USD strengthening with a delay. This moved the exchange rate to 4.355 from 4.338, setting a new high of the year. Moods are moderately negative at the start of the session so EURPLN may remain elevated.

In case of other currencies of the region, the ruble stood out, supported by rising oil prices. At the end of the day Brent price approached US\$77.80/bbl, despite a stronger dollar. As a result USDRUB, which started the day at 63.10, rose to 63.40 during the day, but at the close was back at 63.08. The koruna gained after the interest rate hike by the Czech central bank by 25bp (the market expected no change). In reaction, EURCZK declined from 25.92 to 25.75, but the afternoon appreciation of the dollar sent the exchange rate back to the starting point. EURHUF rose just like EURPLN, suffering from the stronger dollar and IMF comments on the need to decrease public debt.

As a result the forint set a new record of weakness vs the euro (328.2).

As for core debt markets, US Treasuries strengthened amid persisting uncertainty about trade relations of the USA vs the rest of the world and due to the possibility that the fraction of Donald Trump supporters in the House of Representatives will grow stronger. US yields fell 3-4bp across the curve. German debt was weakening in the morning, but in the afternoon it gained in line with the US Treasuries. In total the yield of German bonds dropped by 1-2bp across the curve. Today we expect core yields to remain subdued, awaiting further news on US actions.

On the domestic interest rate market, yields were moving by ± 4 bp, mostly on the long end of the curve, similar to core markets. At the end of the day domestic curve was 1-2bp lower than at the opening. The moves were accompanied by a widening asset swap spread in the 5-10Y segment. Today we expect minor declines of yields in Poland and on the core debt markets.

The European Commission gave a green light to its vice-president Frans Timmermans to launch the EU law infringement procedure against Poland on matters of his choice. The commissioner signalled, there was no decision to officially question the Polish Supreme Court law changes, which will soon force some of its judges to retire.

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FX market

Today's opening

EURPLN	4.3528	CZKPLN	0.1677
USDPLN	3.7730	HUFPLN*	1.3270
EURUSD	1.1537	RUBPLN	0.0596
CHFPLN	3.7788	NOKPLN	0.4600
GBPPLN	4.9335	DKKPLN	0.5842
USDCNY	6.6148	SEKPLN	0.4192

*for 100HUF

Last session in the FX market

27/06/2018

	min	max	open	close	fixing
EURPLN	4.328	4.352	4.331	4.349	4.343
USDPLN	3.709	3.759	3.715	3.755	3.7351
EURUSD	1.158	1.167	1.166	1.158	-

Interest rate market

27/06/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.61	2	15-Jun-18	OK0720	1.605
DS1023 (5L)	2.52	0	15-Jun-18	PS0123	2.393
WS0428 (10L)	3.19	-1	15-Jun-18	WS0428	3.197

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.75	-1	2.58	-2	-0.25	0
2L	1.90	-2	2.77	-2	-0.17	0
3L	2.07	-2	2.83	-3	-0.04	0
4L	2.23	-4	2.85	-3	0.11	-1
5L	2.39	-3	2.86	-3	0.27	-1
8L	2.70	-4	2.88	-3	0.67	-1
10L	2.86	-4	2.91	-4	0.89	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.54	1
T/N	1.54	1
SW	1.55	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	-1
6x9	1.75	-2
9x12	1.79	-2
3x9	1.80	-1
6x12	1.83	-2

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.88	0
France	27	-1	0.39	0
Hungary	116	1	3.21	1
Spain	67	0	1.05	1
Italy	229	-3	2.50	1
Portugal	64	0	1.53	1
Ireland	25	0	0.53	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

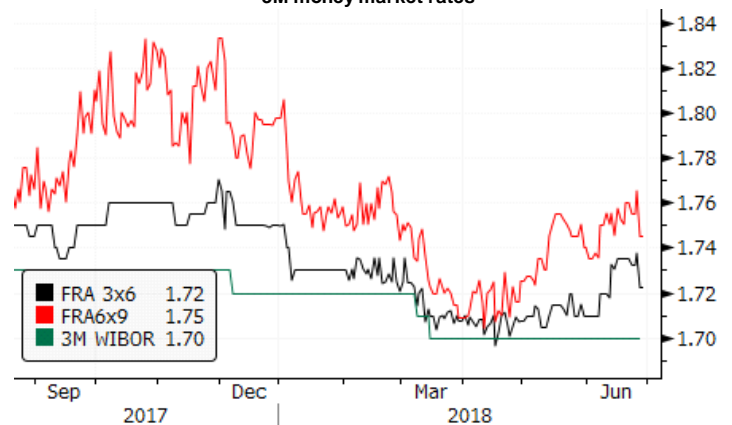
Zloty exchange rate



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	-	126.4	128.8
WEDNESDAY (27 June)								
13:00	CZ	Central Bank Rate Decision		%	0.75	-	1.0	0.75
14:30	US	Durable Goods Orders	May	% m/m	-1.0	-	-0.6	-1.0
16:00	US	Pending Home Sales	May	% m/m	0.5	-	-0.5	-1.3
THURSDAY (28 June)								
11:00	EZ	ESI	Jun	pts	-	-		112.5
14:00	PL	MPC minutes						
14:00	DE	HICP	Jun	% m/m	2.1	-		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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