

# EYEOPENER

4 July 2018

## Better sentiments support zloty

- Global market rebound supported the zloty
- Polish bonds lose despite lower core yields
- Dollar weakened thanks to better moods, core bond market stronger in reaction to lower oil prices
- Today PMI services in the euro zone

Through most of Tuesday the zloty remained weak and domestic bond yields were rising. Polish assets were not supported by the statement of the Chinese central bank denying it will use its currency as a weapon in the trade war (after the bank significantly weakened the yuan). It also did not help Polish assets that the tensions in the German governing coalition eased. Only in the afternoon, when US investors entered the market, the prices of Polish assets improved. On the global markets we saw relatively large declines of bond yields and a rise of EURUSD. Euro zone retail sales data came below forecasts but US durable goods orders beat expectations, pushing equities higher. Oil price was moving up during the day, but news from Saudi Arabia that it wants to use all the necessary means to stabilize the market, caused a sudden fall of Brent price below US\$77/bbl. Today US markets are closed (Independence Day). Services PMIs from Europe will be out.

On Tuesday **EURUSD** took a breather after worries about trade wars and climbed to 1.660 in the afternoon from 1.1640 in the morning, supported by information on positive results of talks within the German government. Today we are expecting EURUSD to climb further somewhat on the back of PMI services in the euro zone.

**EURPLN** was staying at elevated level for the better part of the day and started declining in the afternoon, in line with rising EURUSD and a rebound in emerging markets' assets. As a result, the EURPLN moved from 4.4030 in the morning to 4.3880 in the afternoon. USDPLN also benefited from moods improvement, moving from 3.7860 to 3.7660. The zloty was on Thursday the fifth fastest appreciating currency (against EUR and USD) in the emerging markets universe. Today we expect to see a continuation of appreciation move amid better sentiment in global markets.

**In case of other currencies** in the region, forint was trimming earlier losses vs. euro. EURHUF fell from 330.35 to 327.00 amid higher than expected retail sales data for May (7.8% y/y vs. expected 5.4%). EURCZK rose slightly from 26.10 to 26.13. USDRUB has dropped despite lower oil prices, moving from 63.50 to 63.20, which was assisted by depreciating dollar.

**On the core bonds market**, the US curve slid by 3-6bp (stronger on the long end) as a reaction to oil prices fall. The German sovereign curve moved down a little less, by 1-3 bp. Today we expect USA and German curve to stabilise amid lack of important data releases and banking holiday in the US.

In the morning **the domestic curve** shifted up following the falling Asian stock markets. In the afternoon we saw an opposite move by 1-2 bp. As the result, domestic bond yields rose by 2-4 bp, with a stronger move on the long end of the curve. The domestic IRS curve shifted up marginally, which was transformed in the asset swap spread widening by 1bp. Today we expect the curve to move down following the yesterday's yields falls on the core bonds markets.

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## FX market

## Today's opening

EURPLN	4.3886	CZKPLN	0.1682
USDPLN	3.7590	HUFPLN*	1.3425
EURUSD	1.1675	RUBPLN	0.0596
CHFPLN	3.7920	NOKPLN	0.4630
GBPPLN	4.9665	DKKPLN	0.5890
USDCNY	6.6149	SEKPLN	0.4267

\*for 100HUF

## Last session in the FX market

03/07/2018

	min	max	open	close	fixing
EURPLN	4.387	4.414	4.410	4.400	4.3978
USDPLN	3.761	3.801	3.801	3.777	3.7723
EURUSD	1.160	1.167	1.160	1.165	-

## Interest rate market

03/07/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.64	5	15-Jun-18	OK0720	1.605
DS1023 (5L)	2.61	0	15-Jun-18	PS0123	2.393
WS0428 (10L)	3.27	4	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	-1	-0.25	0
2L	1.97	1	2.79	-2	-0.18	0
3L	2.16	1	2.86	-2	-0.04	0
4L	2.35	2	2.88	-2	0.11	0
5L	2.51	2	2.88	-2	0.26	0
8L	2.84	3	2.90	-2	0.66	-1
10L	3.01	4	2.92	-2	0.86	-1

## WIBOR rates

Term	%	Change (bps)
O/N	1.58	-1
T/N	1.58	-1
SW	1.56	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	0
3x6	1.73	0
6x9	1.77	0
9x12	1.82	0
3x9	1.81	0
6x12	1.86	0

## Measures of fiscal risk

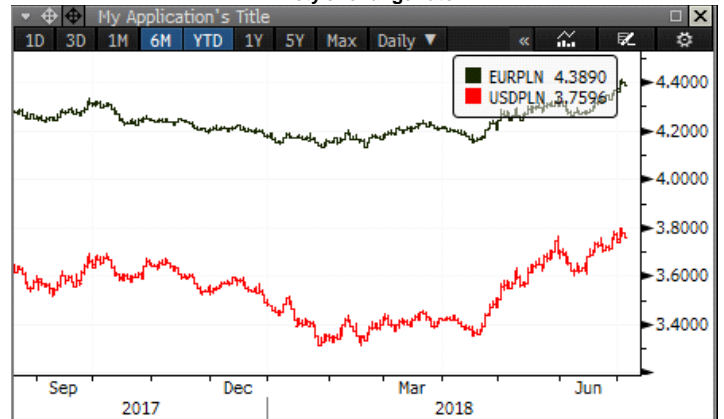
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.97	4
France	27	0	0.34	0
Hungary	116	1	3.30	-17
Spain	68	-1	1.00	0
Italy	229	-3	2.36	2
Portugal	64	0	1.44	0
Ireland	25	0	0.49	-3
Germany	12	0	-	-

\* 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

TIME	INDICATOR		PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	BZWBK	VALUE	VALUE
<b>FRIDAY (29 June)</b>								
9:00	CZ	GDP SA	1Q 18	% y/y	4.4	-	4.2	4.4
11:00	EZ	Flash HICP	Jun	% y/y	2.0	-	2.0	1.9
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>1Q18</b>	<b>€mn</b>	<b>-</b>	<b>118</b>	<b>378</b>	<b>-578</b>
14:30	US	Personal Spending	May	% m/m	0.4	-	0.2	0.6
14:30	US	Personal Income	May	% m/m	0.4	-	0.4	0.3
14:30	US	PCE Deflator SA	May	% m/m	0.2	-	0.2	0.2
16:00	US	Michigan index	Jun	pts	99.0	-	98.2	99.3
<b>MONDAY (2 July)</b>								
<b>9:00</b>	<b>PL</b>	<b>PMI – manufacturing</b>	<b>Jun</b>	<b>pts</b>	<b>53.1</b>	<b>52.9</b>	<b>54.2</b>	<b>53.3</b>
9:55	DE	PMI – manufacturing	Jun	pts	55.9	-	55.9	55.9
10:00	EZ	PMI – manufacturing	Jun	pts	55.0	-	54.9	55.0
<b>10:00</b>	<b>PL</b>	<b>Flash CPI</b>	<b>Jun</b>	<b>% y/y</b>	<b>2.0</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>
16:00	US	ISM – manufacturing	Jun	pts	58.5	-	60.2	58.7
<b>TUESDAY (3 July)</b>								
11:00	EZ	Retail Sales	May	% m/m	0.1	-	0.0	-0.1
16:00	US	Industrial orders	May	% m/m	0.0	-	0.4	-0.4
<b>WEDNESDAY (4 July)</b>								
9:55	DE	PMI – services	Jun	pts	53.9	-		53.9
10:00	EZ	PMI – services	Jun	pts	55.0	-		55.0
<b>THURSDAY (5 July)</b>								
8:00	DE	Industrial orders	May	% m/m	1.0	-		-2.5
14:15	US	ADP report	Jun	k	190	-		178
14:30	US	Initial jobless claims	Jun	pts	-	-		227
16:00	US	ISM-services	week	k	58.0	-		58.6
20:00	US	FOMC minutes						
<b>FRIDAY (6 July)</b>								
8:00	DE	Industrial output	May	% m/m	0.2	-		-1.0
14:30	US	Non-farm payrolls	Jun	k	+198	-		+223
14:30	US	Unemployment rate	Jun	%	3.8	-		3.8

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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