

# EYEOPENER

5 July 2018

## Positive surprise from German industry

- Finally a positive surprise from German industrial sector
- Zloty and other CEE currencies stronger vs euro
- Yields of Polish and regional bonds rebounding lower
- Euro stronger versus dollar after good German data
- Today, US ADP report

On Wednesday the zloty was gaining on the back of more stability on global markets. There were no important data releases and US investors were on holiday. Domestic bond yields decreased, trying to reduce the spread vs US Treasuries, which saw a big downside swing on Tuesday afternoon. European debt remained fairly stable with US markets closed for Independence Day, while stock exchanges in Europe and Asia were under some pressure. Asian equities, with main indices at the lowest levels in nine months, were depressed by the looming deadline for implementation of US tariffs on Chinese goods (this Friday). On the commodities markets, oil price returned to the level from Tuesday morning (after the data on lower inventories in the USA), but in the evening it fell again, after Donald Trump called OPEC to reduce the price. Copper was on the backfoot, in fear of escalation of trade wars. Services PMIs for the euro zone were slightly higher than expected, and on the political front there was further stabilization after the German government crisis at the start of the week. There were also signs of rising uncertainty among German leaders about the impact of trade wars on the economy.

**EURUSD** decreased a bit on Wednesday after comments from German politicians, who fear about the impact of trade wars on their economy. As a result, EURUSD went from 1.1670 at dawn to 1.1659 at the daily close. The US holiday reduced the volatility of the exchange rate in the afternoon.

This morning EURUSD surged to 1.17 and the impulse came from German industrial new orders release. New orders rose

2.6% m/m and 4.4% y/y after a long streak of sub-consensus readings. Later today we could get strong data from the US labour market, which might curb the dollar depreciation.

**EURPLN** was moving down for the better part of the session, from 4.3960 to 4.3810, touching 4.3770 on the way, in spite of the dollar strengthening at the time. USDPLN also fell on Wednesday, from 3.77 to 3.7570. This made the zloty one of the best performing currencies yesterday. This morning further appreciation of the zloty is possible with the observed rebound of EURUSD.

In case of **other currencies in the region**, forint and koruna were trimming losses against euro. EURHUF fell from 327.30 to 325.50 in the afternoon, while EURCZK from 26.11 to 26.07. In case of the koruna, the strengthening was uninterrupted by weaker than expected retail sales data. USDRUB increased slightly from 63.18 to 63.28 in reaction to not so successful bond auction and lower than expected services PMI. This time the currency did not benefit from slightly higher oil prices.

On the **core bond markets**, the German curve was falling over the day to return to the level above the opening at the end of the day. The morning decrease was a consequence of remarks of German politicians, who talked about potential negative consequences of the trade war on the German economy. Today we expect some correction, and yields to rise by -2bp.

The **domestic curve** slid by 5-6 bp in the 5-10Y segment and 2bp in the 2Y segment, fueled by geopolitical tension easing. The IRS curve moved down less, which was transformed in the narrowing of ASW spread by 1-2bp.

Today we expect the price to move up, however on the smaller scale. The upward move will be limited by higher yields of Bunds, after the better than expected data from German industrial sector.

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## FX market

## Today's opening

EURPLN	4.3716	CZKPLN	0.1683
USDPLN	3.7373	HUFPLN*	1.3509
EURUSD	1.1698	RUBPLN	0.0592
CHFPLN	3.7679	NOKPLN	0.4622
GBPPLN	4.9479	DKKPLN	0.5868
USDCNY	6.6350	SEKPLN	0.4270

\*for 100HUF

## Last session in the FX market

04/07/2018

	min	max	open	close	fixing
EURPLN	4.376	4.402	4.400	4.382	4.3969
USDPLN	3.754	3.778	3.777	3.756	3.7759
EURUSD	1.163	1.168	1.165	1.167	-

## Interest rate market

04/07/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.61	-3	15-Jun-18	OK0720	1.605
DS1023 (5L)	2.56	0	15-Jun-18	PS0123	2.393
WS0428 (10L)	3.23	-5	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	1.96	-1	2.81	1	-0.17	1
3L	2.14	-1	2.87	2	-0.03	1
4L	2.32	-3	2.88	0	0.13	2
5L	2.48	-3	2.88	-1	0.27	2
8L	2.80	-4	2.89	-1	0.67	2
10L	2.97	-4	2.91	0	0.88	1

## WIBOR rates

Term	%	Change (bps)
O/N	1.58	0
T/N	1.58	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	1.77	0
9x12	1.83	1
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			2.90	-7
France	27	0	0.34	0
Hungary	116	1	3.21	-4
Spain	69	0	0.98	-1
Italy	229	-3	2.33	-1
Portugal	64	0	1.42	-2
Ireland	25	0	0.49	0
Germany	11	-1	-	-

\* 10Y treasury bonds over 10Y Bunds

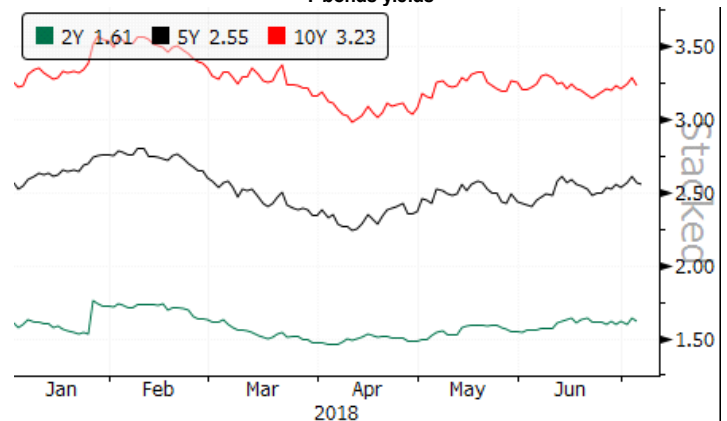
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

## Zloty exchange rate



## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

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	-	54.5	53.9
10:00	EZ	PMI – services	Jun	pts	55.0	-	55.2	55.0
<b>THURSDAY (5 July)</b>								
8:00	DE	Industrial orders	May	% m/m	1.0	-	2.6	-1.6
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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