

# EYEOPENER

6 July 2018

## Global rebound supported CEE assets

- German data surprised to the upside and supported the euro
- Zloty and other CEE currencies gain given more sanguine moods
- Some falls of core market yields support Polish debt
- Today non-farm payrolls in the USA

On Thursday the markets felt some relief, to the benefit of currencies and bonds in CEE region. Positive surprises with German new orders in industry, service PMIs in Europe and service ISM index in the USA supported equities, the euro and emerging market currencies. These releases as well as news about negotiations between EU, the USA and China about new global trade framework were in the spotlight, while weaker data from the US labour market and the EU announcement it will introduce import tariffs on steel received less attention. Minutes from June FOMC meeting released in the evening showed a positive assessment of the current state of the economy and further willingness of Fed to gradually rise interest rates. At the same time it was mentioned that the central bank fears the consequences of tensions in global trade. In the view of investors the positive parts of the document were more important and domestic bonds and the zloty gained on this release, while the euro strengthened vs the dollar. Today US tariffs on Chinese products worth USD34bn came into force. Asian stock indices rose, while the yuan weakened.

**Moody's rating agency** repeated that the changes in the Polish judiciary may influence the institutional strength of Poland but it is too soon to say if it will weigh on the country rating.

Yesterday Iranian officials threatened to **block the Strait of Ormuz**, through which goes c20% of world oil export. This is a response to the US withdrawal from the nuclear deal with Iran. The USA responded with a statement they are ready to secure free passage of oil through the strait. Oil prices so far have not reacted to the news.

**EURUSD** soared on Thursday from 1.660 to 1.1720 only to drop to 1.1680 in the afternoon. Euro was supported by rising equity markets, better new industrial orders in Germany and information about trade negotiations between USA and EU. In the afternoon dollar was supported by positive news from the US services sector. Today in the morning the data about Germany industrial production were better than expected. It supported the euro and EURUSD jumped above 1.17 again.

Today, we expect further euro strengthening after good data from Germany and expected solid employment data from the USA.

**EURPLN** was decreasing over the better part Thursday's session (to 4.35 from 4.38), which was encouraged by the stronger euro, robust Germany industrial orders, a solid auction of Hungarian government bonds and improvement of market mood. On Thursday USDPLN decreased to 3.72 from 3.76, thanks to the weaker dollar. Like on Wednesday, yesterday the zloty was one of the fastest strengthening emerging markets currencies. Today we anticipate the zloty to appreciate, after the stronger than expected German industrial production. However, in the second part of the day, the zloty can see some the profit taking.

**In case of other currencies in the region**, forint and koruna, just like the zloty, were trimming losses against euro. EURHUF fell from 325.30 to 323.70 and EURCZK from 26.04 to 25.93. In case of forint the support came from the central bank, which flagged the ultra-loose monetary policy will not be maintained for long. Moreover, the successful auction of Hungarian bonds helped to restore positive market sentiment. USDRUB fell from 63.40 to 63.10. Strengthening of the ruble took place, despite the EU sanctions imposed on Russia by EU for another six months, and despite drop in oil prices. Investors have also ignored weaker data about car sales and consumer confidence.

**On core bond markets**, the US curve – after slight fluctuations during the day – increased slightly in the short end returned to opening levels in the 5-10Y segment. Relatively low scale of fluctuations (despite publication of Fed minutes, in which the assessment of the economy was positive) was a result of low investors' activity in the week divided in half by the market holiday. German yield curve, after upward move in the morning, was trimming losses in the afternoon, due to implementation of US tariffs against China and Europe and the retaliatory actions from EU. As a result, the German yield curve moved down 1-2bp. Today we expect a rebound of yields in reaction to better German data about industrial production in May.

**Polish bonds** continued strengthening together with other bonds in the region, which resulted in yield curve moving down by another 4-5bp in the 5-10y segment and 2bp in 2Y segment. There were similar moves on the IRS curve. Today we expect to see a slight increase of yields amid profit taking in the morning.

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## FX market

## Today's opening

EURPLN	4.3537	CZKPLN	0.1681
USDPLN	3.7186	HUFPLN*	1.3449
EURUSD	1.1708	RUBPLN	0.0588
CHFPLN	3.7470	NOKPLN	0.4625
GBPPLN	4.9195	DKKPLN	0.5843
USDCNY	6.6495	SEKPLN	0.4249

\*for 100HUF

## Last session in the FX market

05/07/2018

	min	max	open	close	fixing
EURPLN	4.349	4.386	4.382	4.354	4.3833
USDPLN	3.715	3.762	3.756	3.722	3.7485
EURUSD	1.165	1.172	1.167	1.170	-

## Interest rate market

05/07/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.60	-1	15-Jun-18	OK0720	1.605
DS1023 (5L)	2.52	0	15-Jun-18	PS0123	2.393
WS0428 (10L)	3.19	-3	15-Jun-18	WS0428	3.197

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.77	1	2.62	0	-0.26	0
2L	1.97	1	2.80	0	-0.17	0
3L	2.14	0	2.86	-1	-0.03	0
4L	2.31	0	2.88	0	0.12	-1
5L	2.47	-1	2.88	1	0.26	-1
8L	2.79	-1	2.89	0	0.66	-2
10L	2.95	-1	2.91	0	0.86	-2

## 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	1.76	-1
9x12	1.82	-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			2.89	-4
France	26	0	0.34	0
Hungary	116	1	3.15	-2
Spain	68	0	1.03	0
Italy	229	-3	2.42	0
Portugal	64	0	1.49	0
Ireland	25	0	0.49	-1
Germany	12	1	-	-

\* 10Y treasury bonds over 10Y Bunds

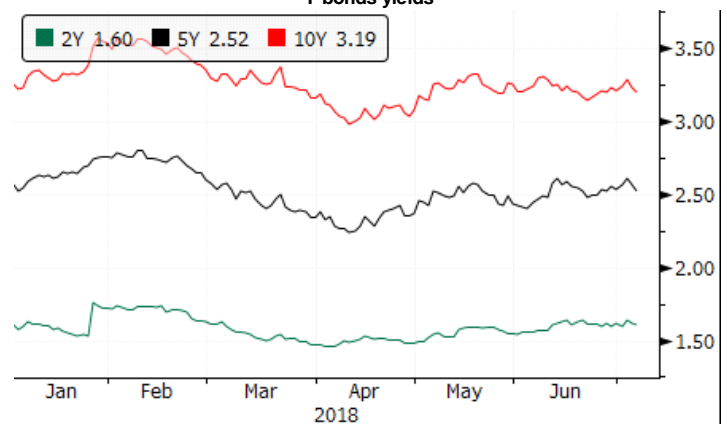
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

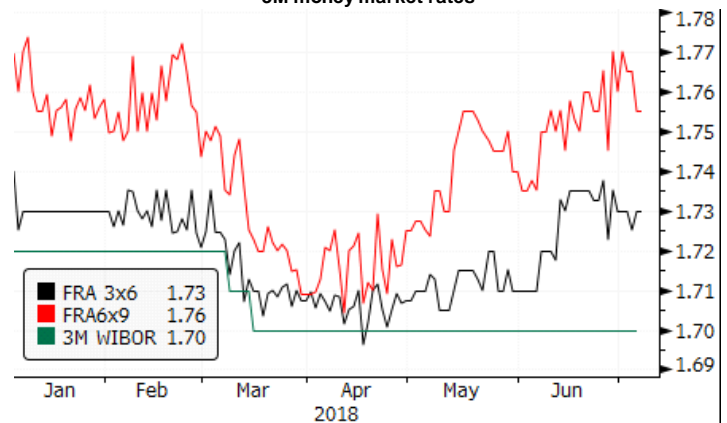
## Zloty exchange rate



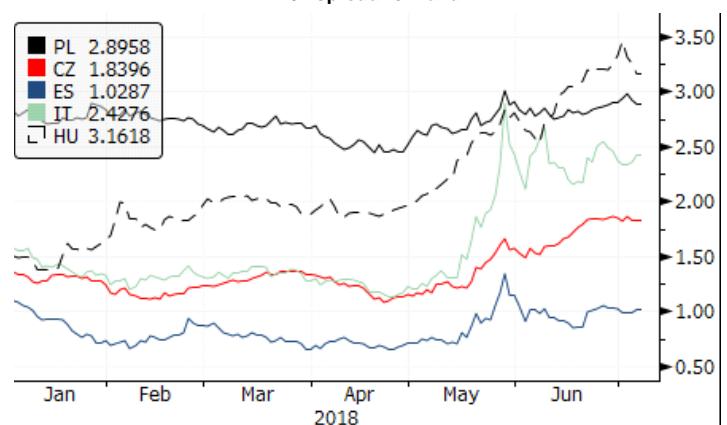
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

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	-	177	189
14:30	US	Initial jobless claims	Jun	pts	225	-	231	228
16:00	US	ISM-services	week	k	58.0	-	59.1	58.6
20:00	US	FOMC minutes						
<b>FRIDAY (6 July)</b>								
8:00	DE	Industrial output	May	% m/m	0.2	-	2.6	-1.3
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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