

EYEOPENER

10 July 2018

Global moods improvement supporting the zloty

- Zloty as the fastest appreciating EM currency yesterday
- EURUSD hated upward trend after Nowotny's comment
- GBP weaker amid political turmoil
- Global yields a bit higher, Polish yields lower
- Today, ZEW index in Germany and inflation in Hungary

At the start of the week the zloty and most of emerging currencies strengthened. Prices of domestic bonds also rose. On core markets there were small increases of yields, while the EURUSD was moving up and down. These changes were accompanied by growing equity markets and commodity prices, due to general improvement of market sentiment. Investors set aside fears about tariff wars that dominated trading in the previous weeks and focused on the US earnings season starting this week. The global sentiment did not get any worse as the resignations in the British government were announced (apart from GBP and UK bonds, which weakened). The resignation of Brexit minister David Davies was followed by the same move of the foreign affairs minister Boris Johnson, which increased the uncertainty about political situation in the UK. PM Theresa May stated she is not going to step down. FX markets got more volatile after remarks by ECB's Ewald Nowotny (considered a hawk). He said that at least until summer 2019 there will be no rate hikes, and at that point the bank will switch to 'wait and see' stance. On the data front, news about German foreign trade for May surprised positively. European investors' sentiment index, Sentix, also beat expectations.

Statistics Poland released the **non-financial national accounts** data for 1Q18, which showed several interesting numbers. Firstly, 1Q18 saw some revival in private investment, which added 5% y/y in nominal terms – the most since 2015. Investments of non-financial companies rose by 3.3% y/y. This means that private companies have finally started to invest, after a two year long stagnation. Yet, scale of the revival is so far minute. Secondly, the public sector recorded a surplus of PLN13.0bn in 1Q18 and rolling sum of 4Q data amounted to -1.2% of GDP, yielding the lowest general government deficit since comparable data are available. In our view, at the end of

the year the deficit will be close to 2017 result (1.7% of GDP) or even lower.

EURUSD was rising throughout the most of Monday session, at the peak moment reaching 1.1790, which was supported by German export data and positive mood on the stock markets (and commodities). At the afternoon the upward move of euro was stopped by remarks of ECB member Ewald Nowotny. As a result, EURUSD ended the day close to the opening level ie. c1.1740. Today EURUSD could be affected by ZEW data release, amid the light economic calendar. The better reading could help EUR to appreciate again.

EURPLN also benefitted from improving moods and was going down during the session, making the zloty one of the fastest gaining EM currency. In due course, EURPLN slid from 4.3530 in the morning to 4.3140 in the afternoon. These changes were accompanied by decline of USDPLN to 3.6710 from 3.7120. As compared to other main currencies, the zloty recoded considerable gains versus the British pound, with GBPPLN plunging to 4.8560 from 4.93000. These changes were driven by politics-related weakening of the pound. Today we are expecting the zloty to stabilise, given lack of important data releases.

In case of the **other CEE currencies**, the koruna and ruble gained to euro and dollar, respectively while the forint remained fairly stable vs the single currency. EURCZK down move to 25.0 from 28.87 was not distorted by weaker-than-expected Czech industrial output and disappointing trade data. USDRUB moved to 62.6 from 63 thanks to rising oil prices. EURHUF remained near 323.1 rising temporarily to 324.

On the **core debt market** yields rose slightly – German by 1bp and US by 2bp amid better market mood. In the afternoon, some correction was recorded. Today we expect core debt to stabilize.

Polish bonds gained slightly on Monday amid higher demand for risky assets. The yield's drop did not exceed 2bp and was recorded mainly on the long end. IRS rose slightly which translated into 1-2bp drop in asset swap spread. Today we expect the downside pressure on yields to hold but should not exceed moves seen yesterday.

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FX market

Today's opening

EURPLN	4.3081	CZKPLN	0.1665
USDPLN	3.6674	HUFPLN*	1.3313
EURUSD	1.1747	RUBPLN	0.0587
CHFPLN	3.6989	NOKPLN	0.4587
GBPPLN	4.8619	DKKPLN	0.5780
USDCNY	6.6132	SEKPLN	0.4205

*for 100HUF

Last session in the FX market

09/07/2018

	min	max	open	close	fixing
EURPLN	4.310	4.365	4.355	4.315	4.338
USDPLN	3.660	3.716	3.709	3.673	3.685
EURUSD	1.174	1.179	1.175	1.175	-

Interest rate market

09/07/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.63	1	15-Jun-18	OK0720	1.605
DS1023 (5L)	2.52	0	15-Jun-18	PS0123	2.393
WS0428 (10L)	3.18	1	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	2.63	1	-0.26	0
2L	1.97	1	2.81	1	-0.17	0
3L	2.15	2	2.87	2	-0.03	0
4L	2.32	2	2.89	2	0.12	0
5L	2.47	2	2.90	2	0.26	0
8L	2.79	2	2.91	2	0.65	0
10L	2.95	2	2.93	2	0.86	0

WIBOR rates

Term	%	Change (bps)
O/N	1.58	1
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	1
3x6	1.73	0
6x9	1.76	0
9x12	1.82	0
3x9	1.81	1
6x12	1.84	1

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.87	0
France	26	0	0.34	0
Hungary	116	1	3.11	-2
Spain	67	7	0.98	-1
Italy	229	-3	2.34	-2
Portugal	64	0	1.46	-1
Ireland	25	0	0.49	0
Germany	11	-1	-	-

* 10Y treasury bonds over 10Y Bunds

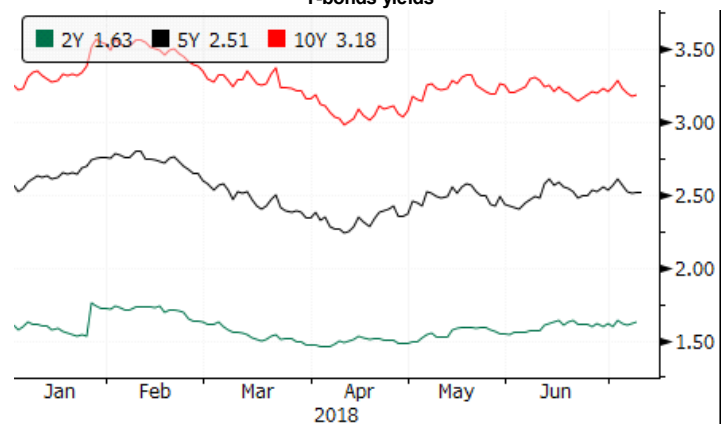
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

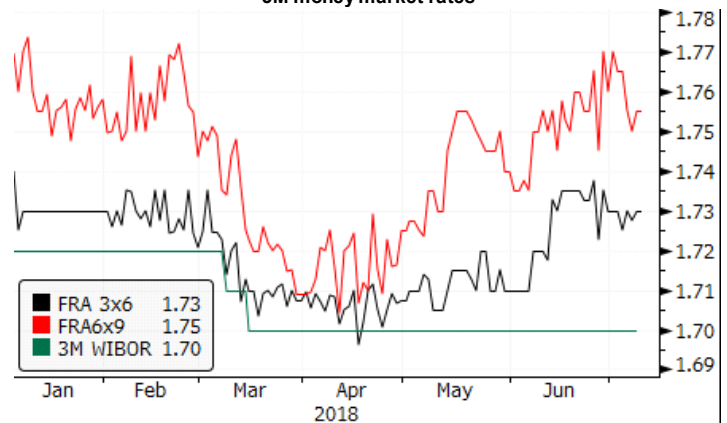
Zloty exchange rate



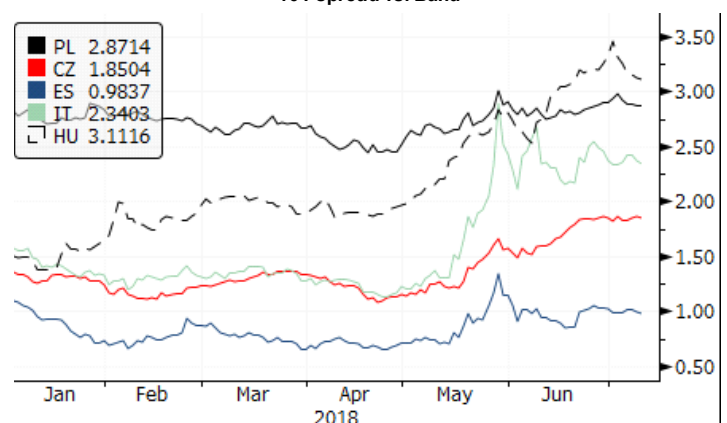
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic calendar								
TIME		INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE	
CET				MARKET	BZWBK			
FRIDAY (6 July)								
08:00	DE	Industrial Production SA	May	% m/m	0.3	2.6	-1.0	
09:00	HU	Industrial Production SA	May	% y/y	2.1	3.8	2.9	
14:30	US	Change in Nonfarm Payrolls	Jun	k	195	213	244	
14:30	US	Unemployment Rate	Jun	%	3.8	4.0	3.8	
MONDAY (9 July)								
08:00	DE	Exports SA	May	% m/m	0.3	1.8	-0.3	
09:00	CZ	Industrial Production	May	% y/y	-	1.4	5.5	
TUESDAY (10 July)								
09:00	HU	CPI	Jun	% y/y	3.1	-	2.8	
11:00	DE	ZEW Survey Current Situation	Jul	pts	78.1	-	80.6	
WEDNESDAY (11 July)								
	PL	MPC decision		%	1.5	1.5	-	1.5
09:00	CZ	CPI	Jun	% y/y	2.5		-	2.2
THURSDAY (12 July)								
08:00	DE	HICP	Jun	% m/m	0.1	-	0.1	
10:00	PL	GUS Trade Balance	May	€mn	-		-	
11:00	EZ	Industrial Production SA	May	% m/m	0.7	-	-0.9	
11:30	PL	Bond Switch Auction			-			
14:30	US	CPI	Jun	% m/m	0.2	-	0.2	
14:30	US	Initial Jobless Claims		k	225.0	-	227.0	
FRIDAY (13 July)								
09:00	CZ	CNB minutes	Jun-18		-			
10:00	PL	CPI	Jun	% y/y	1.9	1.9	-	1.6
16:00	US	Michigan index	Jul	pts	98.2		-	98.2

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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