

EYEOPENER

13 July 2018

Stabilization on the FX market

- **Currency markets stabilizing**
- **Polish bonds unchanged, most of debt markets abroad stronger**
- **EC raised economic forecasts for Poland**
- **Today final inflation data in Poland, consumer confidence in the USA**

On Thursday, the FX market stabilised after volatility spiked on the Wednesday evening. US data were mixed – inflation climbed to the highest level in over 6 years, yet it was slightly below the consensus; weekly initial jobless claims were lower than expected – and did not affect the trade. Despite mood deterioration on Wednesday due to escalation of trade wars, yesterday stock indices went up suggesting that this issue may be less important for the market than previously. Rising risk appetite did not affect bonds and yields fell. Minutes from the last ECB meeting were dovish and read that rates will remain low as long as necessary.

EURUSD declined yesterday slightly below 1.165 in reaction to dovish tone of the ECB minutes, but at the end of the Polish session it was back to the starting level, 1.168. US data did not influence the trading much. This afternoon preliminary reading of July US consumer sentiment is due, but we do not think it could make EURUSD move at the end of the week.

After the Wednesday increase, **EURPLN** started yesterday's session near 4.34, but the solid mood on the global markets pushed the EURPLN down to 4.32. USDPLN oscillated close to the 3.705. EURPLN fluctuated yesterday within the Wednesday's range. We expect that today's session will be similar to the previous one and EURPLN will remain above the 4.30 to the end of the week.

As regards **other CEE currencies**, the koruna and the forint remained stable, while the ruble gained versus the dollar due to higher oil prices. Today in the morning the Czech central bank is due to release its minutes from the last meeting, which saw an unexpected hike of interest rates. Earlier the Czech central bankers suggested that another hike this year is possible so the document can help assess whether the June's move was the

last this year or whether more will follow. Hawkish message of the document was CZK-positive.

On the **domestic debt market**, IRS rates and yields did not change significantly. On the core debt markets, most of the bonds gained slightly. Lack of the reaction of Polish debt was probably a consequence of the better performance of Polish bonds over the last days (10YPL/10YDE spread decreased to 280bp from 300bp at the beginning of the week).

Yesterday the **European Commission published a forecast update for Poland**. EC estimates this year's GDP growth at 4.6% (revision from 4.3%) and 2019 at 3.7% (no change). The Commission still thinks average inflation to be 1.3% this year and 2.6% next year (previously seen at 2.5%). According to EC, strong consumption and investment rebound will continue to support economic growth, while the main risk is the performance of German exports.

Foreign trade data released by the stat office showed that in May exports amounted to €18.9bn and imports €18.6bn. In both cases, these readings suggest an upside risk to our forecasts of balance of payments data to be released on Monday by the central bank (€17.1bn and €17.4bn, respectively). The risk looks bigger for exports and so the trade balance could be above our expectations. Often stat office and central bank data are coherent but in April the stat office figures were below NBP's release. Probably there could have been some shift in data and higher May readings will compensate for lower April figures and so NBP data do not have to be higher.

According to Institute of Agricultural and Food Economics, drought will cause a decrease of grain harvest this year to 27.5mn tones from 31.9mn tones in 2017. We do not expect lower supply of grain on the domestic market to have a significant impact on their prices as the global trends are usually more important in that case. However, we expect grain prices to rise this year in Poland owing to higher prices abroad and zloty weakening vs the dollar.

Today at 10:00 the stat office will release final June CPI. We expect the flash estimate of 1.9% y/y to be confirmed.

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FX market

Today's opening

EURPLN	4.3162	CZKPLN	0.1665
USDPLN	3.7014	HUFPLN*	1.3311
EURUSD	1.1661	RUBPLN	0.0595
CHFPLN	3.6908	NOKPLN	0.4565
GBPPLN	4.8742	DKKPLN	0.5790
USDCNY	6.6671	SEKPLN	0.4173

*for 100HUF

Last session in the FX market

12/07/2018

	min	max	open	close	fixing
EURPLN	4.314	4.349	4.334	4.317	4.3262
USDPLN	3.689	3.726	3.705	3.696	3.7055
EURUSD	1.165	1.170	1.170	1.168	-

Interest rate market

12/07/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.62	0	15-Jun-18	OK0720	1.605
DS1023 (5L)	2.52	0	15-Jun-18	PS0123	2.393
WS0428 (10L)	3.17	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	0	2.64	1	-0.26	0
2L	1.95	-1	2.83	1	-0.17	0
3L	2.13	-1	2.88	0	-0.03	0
4L	2.32	0	2.90	0	0.13	0
5L	2.48	1	2.90	0	0.27	0
8L	2.79	0	2.91	0	0.67	0
10L	2.96	0	2.93	-1	0.88	0

WIBOR rates

Term	%	Change (bps)
O/N	1.60	0
T/N	1.60	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	1.72	-1
6x9	1.74	-1
9x12	1.80	-1
3x9	1.80	-1
6x12	1.83	-1

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.82	1
France	26	0	0.28	0
Hungary	116	1	2.98	1
Spain	68	0	0.93	1
Italy	229	-3	2.27	1
Portugal	64	0	1.39	0
Ireland	25	0	0.47	0
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

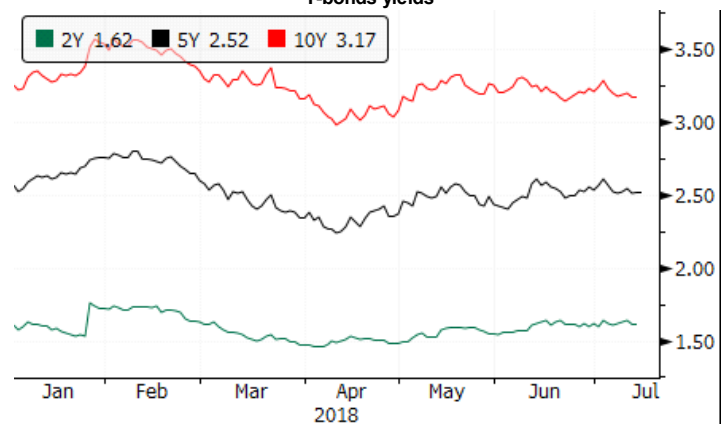
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

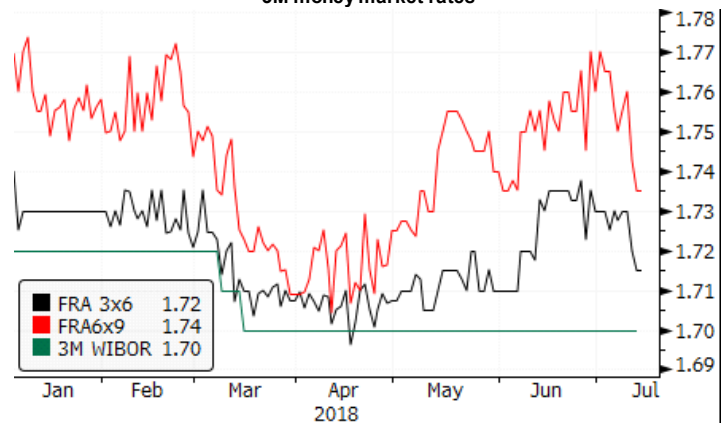
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic Calendar					FORECAST		ACTUAL VALUE	LAST
TIME	INDICATOR		PERIOD		MARKET	BZWBK		VALUE
CET								
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	-	3.1	2.8
11:00	DE	ZEW Survey Current Situation	Jul	pts	78.1	-	72.4	80.6
WEDNESDAY (11 July)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
09:00	CZ	CPI	Jun	% y/y	2.5	-	2.6	2.2
THURSDAY (12 July)								
08:00	DE	HICP	Jun	% m/m	0.1	-	0.1	0.1
10:00	PL	GUS Trade Balance	May	€mn				
11:00	EZ	Industrial Production SA	May	% m/m	1.2	-	1.3	-0.8
11:30	PL	Bond Switch Auction						
14:30	US	CPI	Jun	% m/m	0.2	-	0.1	0.2
14:30	US	Initial Jobless Claims	week	k	225	-	214	232
FRIDAY (13 July)								
09:00	CZ	CNB minutes			-			
10:00	PL	CPI	Jun	% y/y	1.9	1.9		1.6
16:00	US	Michigan index	Jul	pts	98.0	-		98.2

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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