Bank Zachodni WBK
Grupa Santander

EYEOPENER

24 July 2018

Money supply accelerated slightly

- **FX market calm at the start of the week**
- **Polish and Eurozone yields up, US underperforms**
- **Domestic money supply rose according to estimates**
- **Today: unemployment rate in Poland, central bank of Hungary decision, services and manufacturing flash PMIs**

There were no major changes on the FX market yesterday (apart from some USD strengthening). No comments of major policymakers emerged and USA data stayed in the background. European and US stock markets remained stable, oil returned to its opening levels after some attempts to go up. Basic metals followed the same pattern. Core yields went up, especially in the USA. In Poland, we got to see money supply data, which were in line with expectations. Eryk Łon, who belongs to dovish faction of the Polish MPC said that keeping rates unchanged is an optimal strategy given current economic situation. PMI from the euro zone will be the key reading today.

Poland's money supply M3 increased in June by 7.3% y/y, vs 6.6% y/y in May. Loans for households rose 5.2% y/y (after FX adjustment), roughly unchanged vs May (5.1%), also as regards the structure. Loans for companies slowed from 6.5% to 5.6% y/y. The reason for a slowdown was lower growth of investment loans (-1.0% y/y against 4.3% y/y last month), but the latter resulted mainly from the very high base, as in June 2017 the loan level was boosted by transaction of bank's takeover. Total deposit growth accelerated from 5.7% to 6.4% y/y, mainly due to corporate deposits, which – after temporary slowdown to 3.0% y/y in May – rebounded to 5.9% y/y. Term deposits fell by only 0.2% y/y and it seems likely that the downward trend visible since December 2016 will end soon..

Yesterday **EURUSD** went down to 1.1690 from 1.1730 amid rising US yields. Since start of June and after falling from 1.23 the rate is oscillating in a horizontal trend. Today we will get to see PMI for manufacturing and services in the euro zone in June. Weak European data was one of the factors behind lower EURUSD in the preceding months so today's publication can be crucial in setting direction for the exchange rate – either towards resistance at 1.18 or towards 1.15.

EURPLN and USDPLN were relatively stable yesterday, hovering around 4.325 and 3.69, respectively. Since mid-June, EURPLN and EURHUF has moved in the same direction but this was mainly caused by global trends. Thus, we are not expecting the today's decision of the Hungarian central bank to affect the zloty. Global market trends will remain key. Since two week, EURPLN has oscillated around 4.32 and awaited impulse to set a direction.

In case of other **CEE currencies**, the forint lost somewhat, while the koruna remained stable versus the euro. The ruble was supported by higher oil prices and gained versus the dollar. The Hungarian central bank (MNB) decision is the key event today. One month ago MNB reduced its dovishness a bit and suggested that interest rates will remain unchanged no longer than until end of 2019, but this change in rhetoric was enough to stop the HUF depreciation. Results of today's meeting are likely to affect the Hungarian currency.

On the **domestic interest rate market** yields were declining slightly since the start of the day, but in the second part of the session the debt was under the pressure of core markets, where yields increased by 2-8bp (with stronger move on the US market). Polish bonds fared better than core ones, which could have been affected by the liquidity situation (the inflow of around PLN15bn is expected this week from redemption and coupon payments, while at the bond auction the offer should be not higher than PLN8bn). IRS curve moved yesterday up by 1bp. We think that the awaited large redemption and relatively small supply should cause that the spread vs. German Bunds could narrow further this week. Yesterday it dropped to 280 bp.

Today at 10;00 GUS will publish the unemployment data for June. We expect a fall of registered unemployment to 5.9% . Data from the Labour Ministry confirmed our call, so a surprise is highly unlikely. We see unemployment to go down in the months to come and then to climb back to 5.9% in December.

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FX market

Today's opening

EURPLN	4.3297	CZKPLN	0.1676
USDPLN	3.7081	HUFPLN*	1.3240
EURUSD	1.1676	RUBPLN	0.0589
CHFPLN	3.7289	NOKPLN	0.4520
GBPPLN	4.8584	DKKPLN	0.5811
USDCNY	6.8127	SEKPLN	0.4181

*for 100HUF

Last session in the FX market 23/07/2018

	min	max	open	close	fixing
EURPLN	4.316	4.332	4.319	4.328	4.3262
USDPLN	3.677	3.705	3.685	3.699	3.6957
EURUSD	1.169	1.175	1.173	1.170	-

Interest rate market 23/07/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.61	0	12-Jul-18	OK0720	1.627
DS1023 (5L)	2.54	2	12-Jul-18	PS0123	2.356
WS0428 (10L)	3.17	0	12-Jul-18	WS0428	3.167

IRS on the interbank market**

Term	PL %	PL Change (bps)	US %	US Change (bps)	EZ %	EZ Change (bps)
1L	1.75	1	2.65	0	-0.26	0
2L	1.94	0	2.85	2	-0.16	1
3L	2.12	0	2.91	3	-0.01	1
4L	2.30	1	2.94	4	0.15	1
5L	2.46	0	2.96	5	0.30	2
8L	2.77	1	2.99	5	0.70	2
10L	2.93	1	3.01	6	0.92	2

WIBOR rates

Term	%	Change (bps)
O/N	1.34	-25
T/N	1.40	-19
SW	1.55	-1
2W	1.59	-1
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	1.70	0
3x6	1.71	0
6x9	1.74	0
9x12	1.79	0
3x9	1.79	0
6x12	1.82	1

Measures of fiscal risk

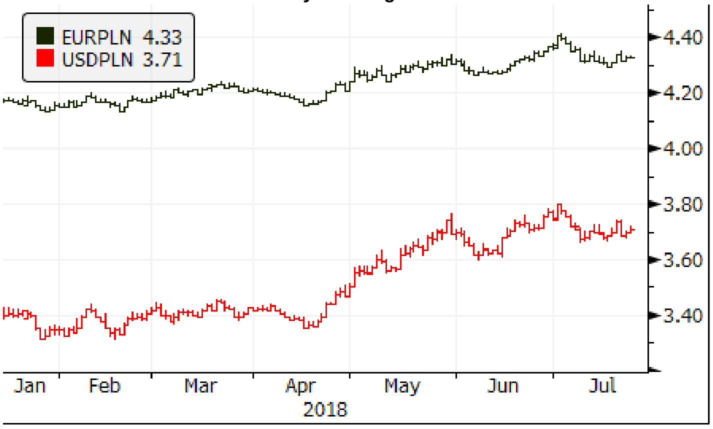
Country	CDS 5Y USD Level	CDS 5Y USD Change (bps)	10Y spread* Level	10Y spread* Change (bps)
Poland			2.76	-1
France	26	0	0.31	0
Hungary	116	1	2.98	-1
Spain	68	0	0.97	0
Italy	210	-1	2.25	1
Portugal	64	0	1.36	0
Ireland	25	0	0.47	0
Germany	12	0	-	-

* 10Y treasury bonds over 10Y Bunds

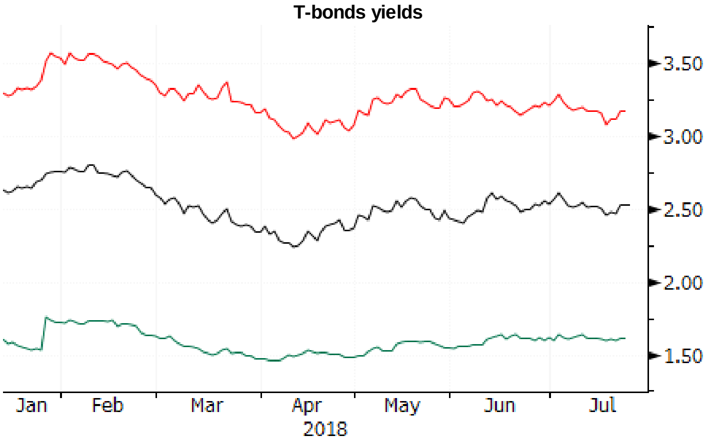
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

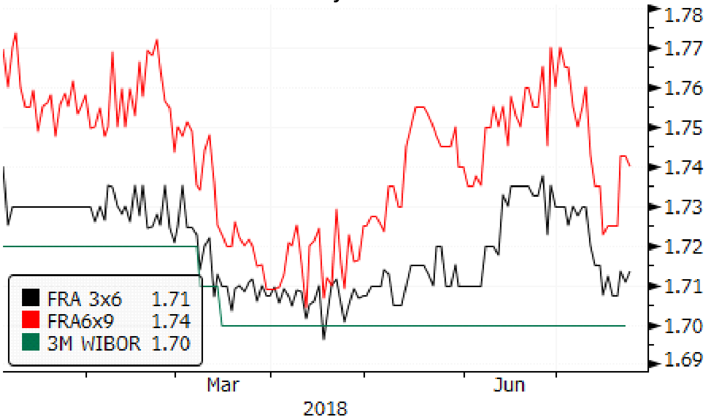
Zloty exchange rate



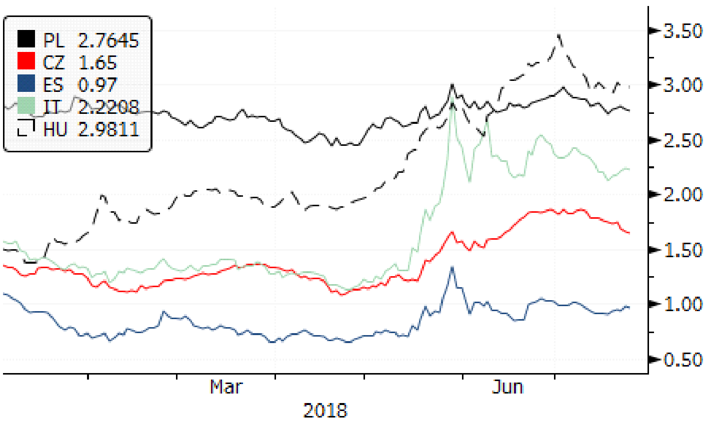
T-bonds yields



3M money market rates



10Y spread vs. Bund



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Economic calendar

TIME CET		INDICATOR	PERIOD		FORECAST MARKET	FORECAST BZWBK	ACTUAL VALUE	LAST VALUE
			FRIDAY (20 July)					
10:00	**PL**	**Retail Sales Real**	**Jun**	**% y/y**	**6.8**	**7.3**	**8.2**	**6.1**
10:00	**PL**	**Stats Poland business sentiment**		**pts**				
			MONDAY (23 July)					
14:00	**PL**	**Money Supply M3**	**Jun**	**% y/y**	**7.3**	**7.3**	**7.3**	**6.6**
16:00	US	Existing Home Sales	Jun	% m/m	0.5	-	-0.6	-0.4
			TUESDAY (24 July)					
09:30	DE	Flash Germany Manufacturing PMI	Jul	pts	55.5	57.3		55.9
09:30	DE	Flash Markit Germany Services PMI	Jul	pts	54.4	54.4		54.5
10:00	EZ	Flash Eurozone Manufacturing PMI	Jul	pts	54.7	-		54.9
10:00	EZ	Flash Eurozone Services PMI	Jul	pts	55.1	-		55.2
10:00	**PL**	**Unemployment Rate**	**Jun**	**%**	**5.9**	**5.9**		**6.1**
14:00	HU	Central Bank Rate Decision		%	0.90	-		0.90
			WEDNESDAY (25 July)					
	PL	**Central Budget Cumul.**	**Jun**	**bn PLN**	**-**	**5.2**		**9.5**
10:00	DE	IFO Business Climate	Jul	pts	101.5	-		101.8
16:00	US	New Home Sales	Jun	% m/m	-2.8	-		6.7
			THURSDAY (26 July)					
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:30	US	Durable Goods Orders	Jun	% m/m	2.7	-		-0.4
14:30	US	Initial Jobless Claims	week	k	220	-		214
			FRIDAY (27 July)					
11:30	**PL**	**Bond Auction**						
14:30	US	GDP Annualized	2Q	% Q/Q	4.0	-		2.0
16:00	US	Michigan index	Jul	pts	97.3	-		97.1

Source: BZ WBK. Bloomberg, Parkiet

** in case of the revision the data is updated*

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