

EYEOPENER

27 July 2018

ECB strengthened the dollar

- Positive market sentiment persists, ECB press conference slightly dovish
- EURPLN at the new July's low, EURUSD lower in reaction to ECB rhetoric
- Polish yields quite stable, abroad slightly lower
- Today bond auction in Poland, US GDP data

On Thursday, financial markets were still under the positive impact of better-than-expected data from Europe and hopes that US inclination to impose more and more trade tariffs will lose momentum. As a result, stock markets went up, positively impacting CEE currencies. The ECB left interest rates unchanged and the message of the post-meeting conference was rather dovish, weighing on the euro and bringing bond yields in Europe lower. Mario Draghi said that the ECB can still use its tools if necessary and that the euro zone economy still needs support. In general, the results of yesterday's meeting did not change the euro zone monetary policy outlook, in our view. Until the end of the year, the ECB plans to end its QE programme and the first rate hike is expected in 2H19. Investors may be a bit disappointed about lack of precise information of the hike timing (before or after the summer) and this may have affected the interpretation of the conference. Markets did not react to yesterday's news from the US government on Trump's order to analyse tariffs on cars imported from the EU. Also the suggestion of US National Economic Council head Larry Kudlow that USA and EU will ally against China, which "has broken the world trading system", did not affect the trade.

On Thursday the **Energy Regulatory Office** approved the amendment of gas tariff for PGNiG's retail unit. The amendment means that gas prices will rise for households by 3.6% on average, adding less than 0.1pp to the headline CPI in

December. The new tariff will come into force in 14 days at the earliest and was approved until the end of the year.

EURUSD more than neutralized Wednesday's rise and at the end of the yesterday's session the exchange rate was near 1.165. The euro gave up its gains owing to the dovish ECB rhetoric. Today investors' attention could shift to the US where we will see the advance 2Q GDP estimate. The market is largely pricing-in the two more Fed rate hikes this year so it seems that only the below-consensus release could trigger some higher volatility. We expect EURUSD to hold in 1.16-1.18 range today.

Yesterday, **EURPLN** fell third session in a row, continuing the movement from Wednesday, which started after the better than forecast PMI for euro zone, and hit 4.28, the new July low. Zloty gained thanks to the good mood in the world and despite strengthening of dollar to euro. USDPLN rebounded slightly to more than 3.68 from 3.66. Today Polish currency might be under the influence of US data. Besides that, we think that at the end of the week might the pressure on the zloty may appear, as investors would like to take profits after the week of currency appreciation.

In case of other **CEE currencies**, forint also gained versus euro, while koruna and ruble trimmed part of their recent gains.

In case of **domestic interest rate market**, IRS rates and bond yields did not change much yesterday. The Polish market was stable as compared to core or euro zone peripheral debt markets. Today the bond auction will be held, which in our view should be pretty successful, considering PLN15bn flow from redemptions and coupon payments earlier this week. As we suggested yesterday, the balance of factors key for Polish bonds may move towards external factors in the near term. Today in the afternoon we will get to know the first estimate of US 2Q18 GDP and the reading could determine about where the Polish market will be at the end of the week.

ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40

email: ekonomia@bzwbk.pl

Web site: skarb.bzwbk.pl

Piotr Bielski +48 22 534 18 87

Marcin Luziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Konrad Soszyński +48 22 534 18 86

Marcin Sulewski +48 22 534 18 84

TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

FX market

Today's opening

EURPLN	4.2873	CZKPLN	0.1672
USDPLN	3.6811	HUFPLN*	1.3243
EURUSD	1.1647	RUBPLN	0.0585
CHFPLN	3.7020	NOKPLN	0.4499
GBPPLN	4.8215	DKKPLN	0.5754
USDCNY	6.8063	SEKPLN	0.4182

*for 100HUF

Last session in the FX market

26/07/2018

	min	max	open	close	fixing
EURPLN	4.282	4.305	4.303	4.283	4.2927
USDPLN	3.651	3.687	3.684	3.673	3.6649
EURUSD	1.165	1.174	1.168	1.166	-

Interest rate market

26/07/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.60	2	12-Jul-18	OK0720	1.627
DS1023 (5L)	2.48	0	12-Jul-18	PS0123	2.356
WS0428 (10L)	3.12	0	12-Jul-18	WS0428	3.167

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.75	0	2.66	1	-0.26	0
2L	1.94	0	2.87	2	-0.15	0
3L	2.12	0	2.93	2	-0.01	1
4L	2.29	0	2.96	2	0.16	1
5L	2.45	0	2.97	2	0.31	1
8L	2.75	0	2.99	2	0.70	2
10L	2.91	0	3.02	3	0.91	2

WIBOR rates

Term	%	Change (bps)
O/N	1.49	0
T/N	1.50	1
SW	1.55	0
2W	1.59	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	1.70	0
3x6	1.72	1
6x9	1.75	1
9x12	1.80	0
3x9	1.80	0
6x12	1.84	2

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.72	0
France	26	0	0.29	0
Hungary	116	1	2.84	0
Spain	67	0	0.95	-1
Italy	213	0	2.30	0
Portugal	64	0	1.32	0
Ireland	25	0	0.46	0
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

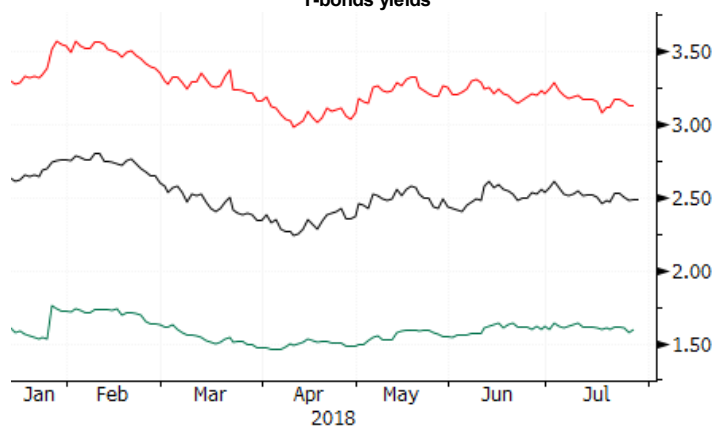
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

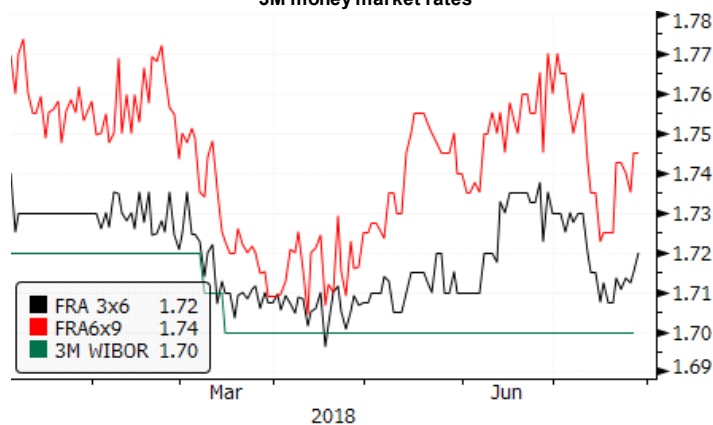
Zloty exchange rate



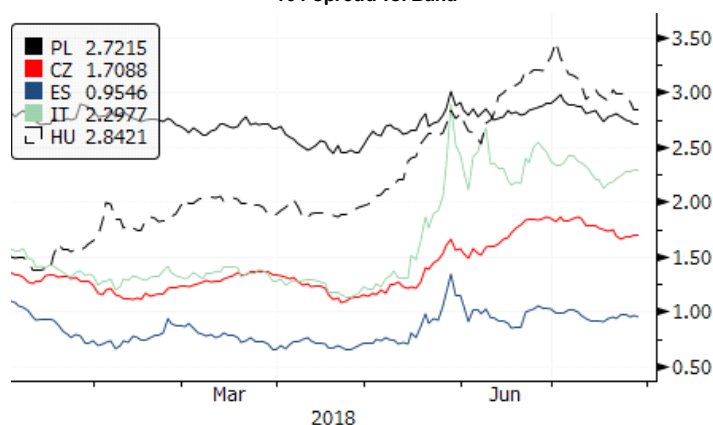
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic calendar					FORECAST		ACTUAL VALUE	LAST
TIME		INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST
CET					MARKET	BZWBK		
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	57.3	55.9
09:30	DE	Flash Markit Germany Services PMI	Jul	pts	54.4	54.4	54.4	54.5
10:00	EZ	Flash Eurozone Manufacturing PMI	Jul	pts	54.7	-	55.1	54.9
10:00	EZ	Flash Eurozone Services PMI	Jul	pts	55.1	-	54.4	55.2
10:00	PL	Unemployment Rate	Jun	%	5.9	5.9	5.9	6.1
14:00	HU	Central Bank Rate Decision		%	0.90	-	0.90	0.90
WEDNESDAY (25 July)								
10:00	DE	IFO Business Climate	Jul	pts	101.5	-	101.7	101.8
16:00	US	New Home Sales	Jun	% m/m	-3.1	-	-5.3	3.9
THURSDAY (26 July)								
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0	0.0
14:30	US	Durable Goods Orders	Jun	% m/m	3.0	-	1.0	-0.4
14:30	US	Initial Jobless Claims	week	k	215	-	217	208
FRIDAY (27 July)								
11:30	PL	Bond Auction						
14:30	US	GDP Annualized	2Q	% Q/Q	4.2	-		2.0
16:00	US	Michigan index	Jul	pts	97.1	-		97.1

Source: BZ WBK, Bloomberg, Parkiet

* in case of the revision the data is updated

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Additional information is available on request. Please contact Bank Zachodni WBK S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawla II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@bzwbk.pl, http://www.bzwbk.pl.