

# EYEOPENER

8 August 2018

## Trade wars topic keeps coming back

- **Good results of US companies improved market sentiment, but new US tariffs on China were announced**
- **CEE currencies do not benefit from better risk appetite, dollar gave back some of the recent gains**
- **Domestic and foreign bonds under pressure of more optimism**

Yesterday, the moods on global markets were excellent as good quarterly data published by U.S. companies overshadowed fears of a negative impact trade wars may have on the global growth. Stock market indices in Europe soared and investors turned to risk assets, which exerted a downward pressure on the core bond markets. However, the CEE currencies did not benefit from a growing appetite for risk. The U.S. administration informed in the evening that in two weeks a 25% tariff would be imposed on Chinese goods worth US\$16bn. The announcement had a negative effect on the Asian stock markets and may bring the European indices lower as well. Still, the Chinese foreign trade release showed a surprisingly high increase in exports (12.2% y/y versus expected 10%, acceleration from 11.2%), and imports soared by 27.3% y/y against the market expectation of an acceleration from 14.1% to 17%. In general, such rises should normally inspire optimism in global markets, signalling a continuing strong demand in the Chinese economy and in its trade partners alike. However, these readings may in fact reflect front-loading of trade turnover before the announced tariffs will come into effect both in the U.S. and in China.

**EURUSD** ceased the series of five consecutive sessions of a decline and rose to 1.16 from 1.155. amid lower demand for safe assets. In the recent days, the exchange rate neared the lower end of the consolidation observed since June but for now there have been no new strong impulses to push EURUSD below 1.15. As regards the global data, the economic calendar is empty today and so the exchange rate could stay above 1.15.

Yesterday **EURPLN** fluctuated around 4.25. The zloty did not benefit from increase of demand on risk assets and significant rebound of EURUSD. However USDPLN dropped to 3.665 from 3.685 as a result of strengthening of the euro vs. the dollar. Since the end of previous week, the zloty is the second strongest currency vs. the euro and the dollar (after the Mexican peso) on emerging markets. In our opinion, yesterday lack of positive reaction of the zloty to significant global market mood improvement suggests that in a short-term EURPLN will meet difficulties to begin moving further down. We think that in the near future, domestic currency will partly give back recent gains but we assume that it will

only mean a temporary correction and after summer holidays the zloty will start to strengthen again.

In case of the **other CEE currencies**, the forint gained temporarily vs the euro while the koruna was catching up appreciation it missed on Monday. The ruble appreciated vs the dollar thanks to higher oil prices.

On the **domestic interest rate market** yields rose by up to 3bp amid weaker Bunds and Treasuries. Foreign bonds lost less than domestic benchmarks and so there was a slight correction of the recent tightening of spreads.

**NBP's official reserves** rose in July to €95.64bn from €93.54bn in June. Over the last year, the reserve assets were oscillating around €95bn after falling from peak at €108bn in December 2016 when the NBP was artificially increasing its reserve asset holdings by massive use of repo and reverse repo operations (yet euro strengthening also played some role in decline of assets expressed in this currency). We are expecting the stabilisation of reserve assets to hold.

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## FX market

## Today's opening

EURPLN	4.2554	CZKPLN	0.1663
USDPLN	3.6641	HUFPLN*	1.3308
EURUSD	1.1614	RUBPLN	0.0577
CHFPLN	3.6845	NOKPLN	0.4473
GBPPLN	4.7395	DKKPLN	0.5710
USDCNY	6.8200	SEKPLN	0.4114

\*for 100HUF

## Last session in the FX market

07/08/2018

	min	max	open	close	fixing
EURPLN	4.246	4.261	4.256	4.258	4.2554
USDPLN	3.663	3.691	3.681	3.673	3.6722
EURUSD	1.155	1.161	1.156	1.159	-

## Interest rate market

07/08/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.59	5	27-Jul-18	OK0720	1.592
DS1023 (5L)	2.48	-2	27-Jul-18	PS0123	2.335
WS0428 (10L)	3.13	3	27-Jul-18	WS0428	3.144

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.75	0	2.67	0	-0.25	0
2L	1.93	0	2.88	1	-0.14	0
3L	2.13	0	2.94	2	0.01	0
4L	2.32	1	2.96	2	0.17	1
5L	2.47	0	2.97	2	0.32	1
8L	2.77	0	3.00	2	0.72	2
10L	2.94	0	3.03	2	0.93	2

## WIBOR rates

Term	%	Change (bps)
O/N	1.54	0
T/N	1.54	0
SW	1.55	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	1.70	0
3x6	1.71	0
6x9	1.74	-1
9x12	1.78	-1
3x9	1.79	0
6x12	1.81	-1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.73	4
France	26	0	0.32	0
Hungary	116	1	2.99	3
Spain	67	0	0.99	0
Italy	231	18	2.44	-2
Portugal	64	0	1.34	0
Ireland	25	0	0.47	0
Germany	11	0	-	-

\* 10Y treasury bonds over 10Y Bunds

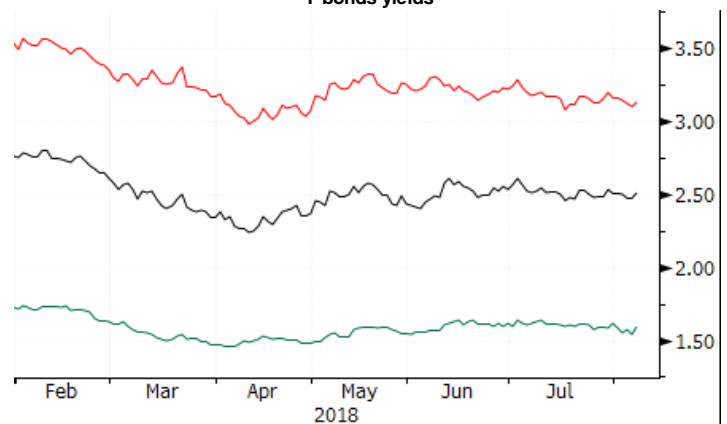
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

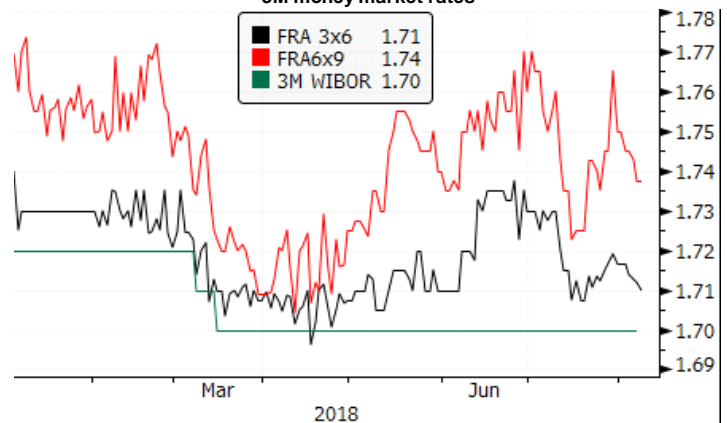
## Zloty exchange rate



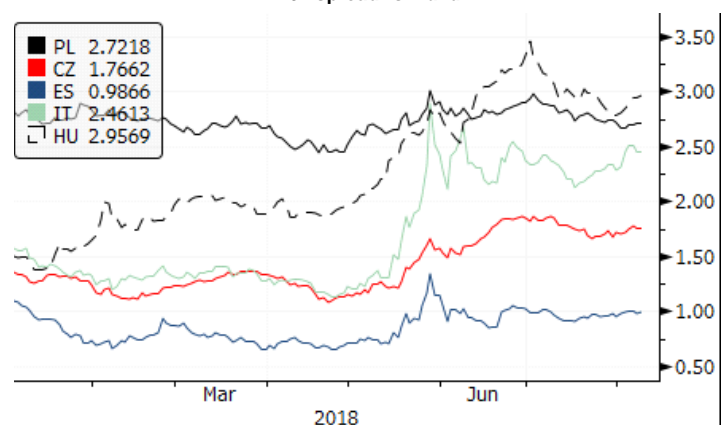
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic Calendar								
TIME		INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST
CET					MARKET	BZWBK		VALUE
FRIDAY (3 August)								
03:45	CH	Caixin China PMI Services	Jul	pts	53.5	-	52.8	53.9
09:55	DE	Markit Germany Services PMI	Jul	pts	54.4	-	54.1	54.4
10:00	EZ	Eurozone Services PMI	Jul	pts	54.4	-	54.2	54.4
11:00	EZ	Retail Sales	Jun	% m/m	0.4	-	0.3	0.3
14:30	US	Change in Nonfarm Payrolls	Jul	k	192	-	157	248
14:30	US	Unemployment Rate	Jul	%	3.9	-	3.9	4.0
16:00	US	ISM services	Jul	pts	58.6	-	55.7	59.1
MONDAY (6 August)								
08:00	DE	Factory Orders	Jun	% m/m	-0.4	-	-4.0	2.6
09:00	CZ	Industrial Production	Jun	% y/y	1.9	-	3.4	1.4
TUESDAY (7 August)								
08:00	DE	Exports SA	Jun	% m/m	-0.4	-	0.0	1.7
08:00	DE	Industrial Production SA	Jun	% m/m	-0.5	-	-0.9	2.6
WEDNESDAY (8 August)								
09:00	HU	CPI	Jul	% y/y	3.3	-	3.4	3.1
14:00	HU	MNB minutes						
THURSDAY (9 August)								
09:00	CZ	CPI	Jul	% y/y	2.3	-		2.6
14:30	US	Initial Jobless Claims	week	k	220	-		217
FRIDAY (10 August)								
14:30	US	CPI	Jul	% m/m	0.2	-		0.1

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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