

EYEOPENER

9 August 2018

Ruble's rough day

- No changes on the broad market, but pound, ruble and lira pressured
- Domestic bonds stable, little movement on core markets, Russian and Hungarian debt sold off
- Today weekly labour market data from the USA

Wednesday brought no major changes on global stock and bond markets. A bit more pronounced moves were seen on the FX market, with the pound, the ruble and the lira suffering blows. The British currency was under pressure of rising worries that the UK government will fail to strike a trade deal with the EU before the Brexit. The Turkish lira resumed its free fall, initiated by weakening international standing of the country after US sanctions. The ruble was hit by information about possible limitations for Russian banks in accessing the US market. Additionally, in the evening the US government announced new sanctions against Russia. The Hungarian inflation surprised to the upside, which was HUF-positive and negative for Hungarian bonds. Both measures of Chinese inflation proved a notch higher than expected: CPI was at 2.1% y/y in July (1.9% previously) and PPI at 4.6% y/y (4.7% previously).

EURUSD came to a halt after Tuesday upward march and fluctuated around 1.16 during yesterday session. This afternoon we expect weekly release on US initial jobless claims but we do not think it will stir the investors from their summer lethargy. Tomorrow, on the other hand, US CPI data will be published and it may determine where EURUSD ends the week. EURGBP soared yesterday above 0.90 – the new high since October 2017 – and GBPUSD declined to 1.285, the new low since September 2017.

EURPLN remained fairly stable around 4.26 and USDPLN rose to 3.68 from 3.66 amid slightly lower EURUSD. We still think that the zloty's appreciation observed in the previous weeks was too fast and now EURPLN could correct part of the recent freefall.

Among **other CEE currencies**, the ruble performed significantly worse than the rest of the region. It lost on signals about possible consequences of possible US sanctions on

Russia. As a result, USDRUB increased from 63.38 to almost 65.04 (the highest level since the first half of April) after the biggest daily rise since the first decade of the April. The ruble sell-off did not end there. It double the loss between the end of the European session and today's morning, climbing above 66 vs. the dollar. The ruble is now the weakest since the November 2016. The US evening decision to impose sanctions on Russia was the impulse that prolonged the movement of the Russian currency. Sanctions were imposed as the US made a final determination that Russia was behind the chemical weapon's attack in the United Kingdom in March. The forint and the koruna gained vs. the euro and data about higher July inflation than forecasted was additional support for the forint.

On the **domestic interest rate market** IRS and bond yields did not move much. Abroad, the session was calm as well with exception of Russian market (10Y benchmark yield soared by more than 20bp) and Hungarian (+6bp). After the Polish 10Y benchmark yield fell below 3.20% , it is now hovering in the c3.10-3.20% range.

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FX market

Today's opening

EURPLN	4.2656	CZKPLN	0.1667
USDPLN	3.6768	HUFPLN*	1.3341
EURUSD	1.1601	RUBPLN	0.0556
CHFPLN	3.6990	NOKPLN	0.4471
GBPPLN	4.7323	DKKPLN	0.5722
USDCNY	6.8275	SEKPLN	0.4102

*for 100HUF

Last session in the FX market

08/08/2018

	min	max	open	close	fixing
EURPLN	4.254	4.266	4.258	4.261	4.2619
USDPLN	3.661	3.684	3.673	3.675	3.6782
EURUSD	1.157	1.163	1.159	1.160	-

Interest rate market

08/08/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.57	-2	27-Jul-18	OK0720	1.592
DS1023 (5L)	2.48	0	27-Jul-18	PS0123	2.335
WS0428 (10L)	3.12	-1	27-Jul-18	WS0428	3.144

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.74	0	2.67	-1	-0.24	0
2L	1.93	-1	2.87	-1	-0.14	0
3L	2.12	-1	2.93	-1	0.00	-1
4L	2.30	-2	2.95	-1	0.16	-1
5L	2.46	-1	2.96	-1	0.31	-1
8L	2.76	-2	2.99	-1	0.71	-1
10L	2.93	-2	3.02	-1	0.93	-1

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	0
9x12	1.78	0
3x9	1.79	0
6x12	1.81	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.73	0
France	26	0	0.33	0
Hungary	116	1	3.04	1
Spain	65	-1	1.01	1
Italy	228	-3	2.50	-1
Portugal	64	0	1.37	1
Ireland	25	0	0.48	0
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

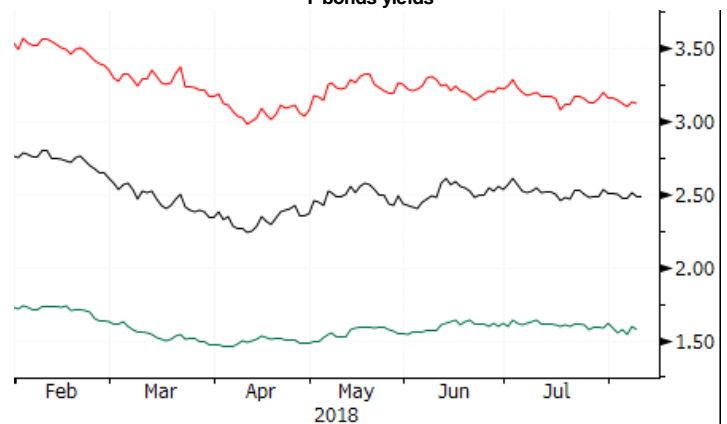
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

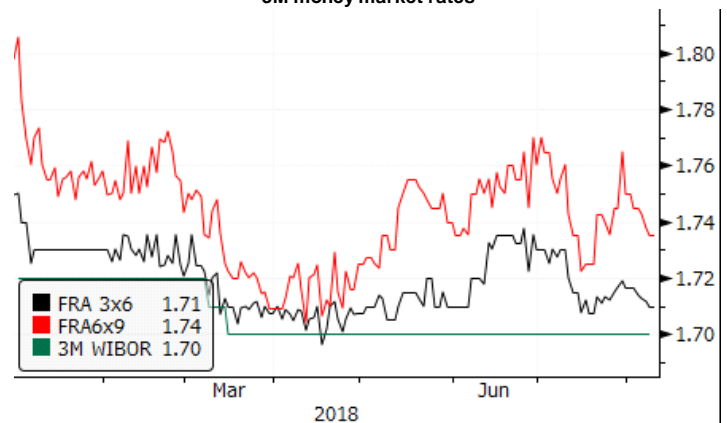
Zloty exchange rate



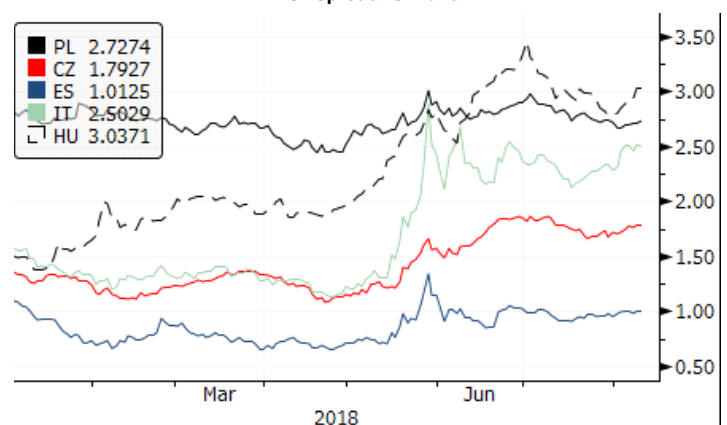
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

Economic calendar								
TIME		INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE
CET					MARKET	BZWBK		
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	-	2.3	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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