

# EYEOPENER

6 September 2018

## MPC's unchanged stance, złoty under pressure

- Złoty and CEE currencies lose amid stock markets gloom
- MPC maintains plans to keep rates unchanged for long
- Domestic bonds weakened at reduced pace
- Today bond auction in Poland, US labour market data and services PMI

On Wednesday conference, MPC continued the rhetorics of keeping the rates unchanged for a long time. In Europe, the retail sales and PMI services readings were below-consensus. The indicator of business climate in the Chinese services sector also surprised to the downside. Nonetheless, the euro stopped depreciating and yields on the core markets grew. EM stock exchanges and currencies continued the downward movement, just like the złoty and domestic bonds, responding to the concerns about the economic growth amidst trade wars and rising rates in the US. Today, the USA may announce further tariffs for China and, in consequence, a sombre mood prevailed during the Asian session. In Europe, the day started with another below-consensus reading of German factory orders (all but May readings of 2018 have been worse than expected). The index has been falling y/y for the second month in a row (it started the year at +8% y/y).

The **Monetary Policy Council** kept interest rates unchanged, as expected, with the main rate at 1.50%. The concluding remarks in the statement still point to the Council's conviction that inflation will remain close to the target for long. The MPC sees economic outlook as positive despite some slowdown expected in the coming years. Thus the Council still thinks keeping rates stable is the optimal solution. According to NBP Governor Adam Glapiński, with no external shocks, rates could stay on hold until the end of 2019 or even in the first quarters of 2020. We think the period of interest rate stability will last until at least November 2019. In our view, decision to hike rates will require solid macro conditions and economic outlook as well as a move by ECB. [More in our Economic Comment](#).

**Deputy Finance Minister Leszek Skiba** expressed an opinion that Polish economy will not slow down in 2019, and stressed that the ministry's GDP growth forecast is still realistic at 3.8% for this year and next (for 2018, market forecasts are c1pp higher). In his view weak 2Q investment may have come from entrepreneurs' worries that a slowdown is coming, but an alternative explanation could be an increase of amortization threshold this year which might have excluded some investment from statistics. Finance Minister Teresa Czerwińska stated that in 1.5-2 years, Polish economy will grow at a significantly lower pace.

The **Minister of Family, Labour and Social Policy Elżbieta Rafalska** informed that according to flash data, the registered unemployment rate in August most likely fell from 5.9% to 5.8%, while almost all market analysts assumed that it stayed unchanged.

On Wednesday **EURUSD** increased from 1.159 to 1.162. The weakening of the dollar occurred despite sell-off on equities and maintaining weak appetite for emerging market assets and currencies. Weaker-than-expected data from euro zone and significantly better US stocks' performance compared to global competitors did not stop the depreciation of the dollar. Today this move may be reversed as we expect solid business sentiment indicators in US services and labour market data and the possible announcement of further US restrictions on China trade.

On Wednesday, **EURPLN** kept growing throughout the day, climbing from 4.3120 to 4.3270 in response to the global sell-off of EM currencies. After the MPC conference, the fx pair broke above 4.33. Today, we are expecting the złoty to first appreciate and then to fall again in the afternoon, after the publication of the US data (we think the readings will be good).

As for **other CEE currencies**, the forint, koruna and rubel depreciated intraday and rebounded in the afternoon. As a result, **EURHUF** went down from 327.80 to 327.50, hitting 328.80 in the meantime (the highest since the beginning of July). Although GDP revision showed growth by 4.8%, i.e. 0.2pp above the consensus, the central bank minutes confirmed it wants to stick to very loose policy. **EURCZK**, supported by better retail sales data, returned to the morning level (25.74) after an unsuccessful attempt to break 25.77. As regards **USDRUB**, we also saw an unsuccessful attempt of breaking the March 2016 level (68.60). The rubel remained unaffected by CPI growth to 3.1% supporting the projections of a rate hike.

On **domestic interest rate market**, yields grew in the morning and in the afternoon they reversed some of the morning rise. The moves were caused by changes of US yields late on Tuesday and by local factors. As a result, domestic curve moved up 2pb in segment 5-10Y and declined 1pb in 2Y segment. Strong yields' rise on German market did not have direct impact on domestic curve, similarly as MPC conference. Today we expect slight losses on domestic bond market due to expectations of solid US data and MF auction with planned supply worth PLN3-4bn.

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## FX market

## Today's opening

EURPLN	4.3381	CZKPLN	0.1684
USDPLN	3.7336	HUFPLN*	1.3208
EURUSD	1.1619	RUBPLN	0.0547
CHFPLN	3.8457	NOKPLN	0.4434
GBPPLN	4.8211	DKKPLN	0.5819
USDCNY	6.8379	SEKPLN	0.4117

\*for 100HUF

## Last session in the FX market

05/09/2018

	min	max	open	close	fixing
EURPLN	4.307	4.335	4.308	4.328	4.3183
USDPLN	3.709	3.742	3.720	3.724	3.733
EURUSD	1.154	1.164	1.158	1.162	-

## Interest rate market

05/09/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
OK0720 (2L)	1.59	3	23-Aug-18	OK0720	1.578
DS1023 (5L)	2.57	0	23-Aug-18	PS0123	2.335
WS0428 (10L)	3.23	2	23-Aug-18	WS0428	3.156

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.76	0	2.67	0	-0.25	0
2L	1.91	0	2.84	-1	-0.15	0
3L	2.10	0	2.88	-1	0.00	1
4L	2.28	0	2.89	-1	0.15	1
5L	2.43	0	2.90	-1	0.30	2
8L	2.73	1	2.93	-1	0.69	1
10L	2.89	1	2.96	0	0.90	2

## WIBOR rates

Term	%	Change (bps)
O/N	1.55	0
T/N	1.55	0
SW	1.55	0
2W	1.60	0
1M	1.64	0
3M	1.71	0
6M	1.79	0
9M	1.82	0
1Y	1.87	0

## FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.72	0
3x6	1.73	0
6x9	1.76	0
9x12	1.79	0
3x9	1.81	0
6x12	1.84	-1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.86	3
France	25	-1	0.34	0
Hungary	116	1	3.16	0
Spain	66	-3	1.07	1
Italy	245	-8	2.72	17
Portugal	64	0	1.49	1
Ireland	25	0	0.51	0
Germany	10	0	-	-

\* 10Y treasury bonds over 10Y Bunds

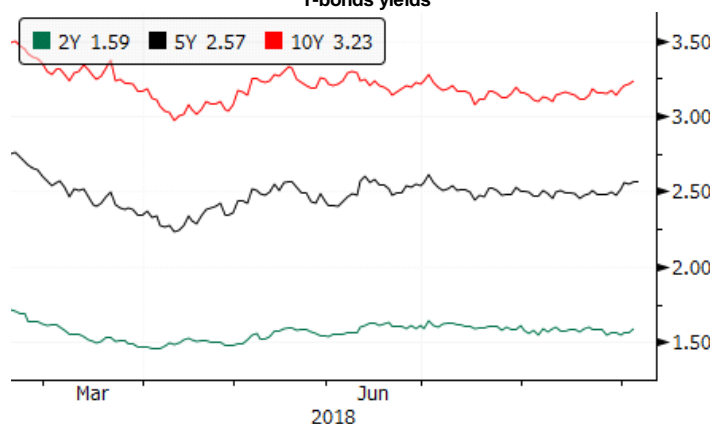
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

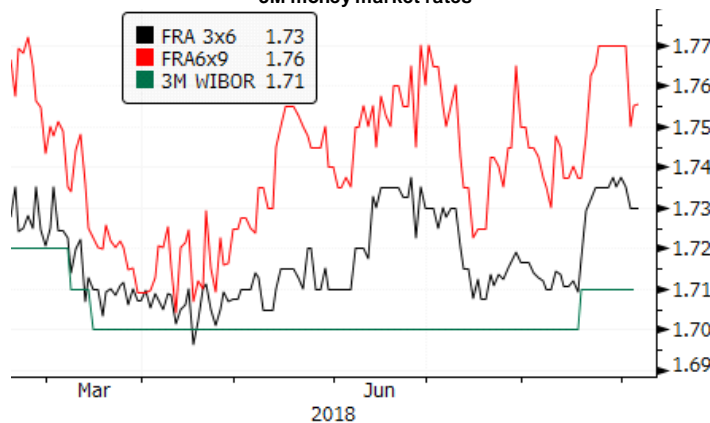
## Zloty exchange rate



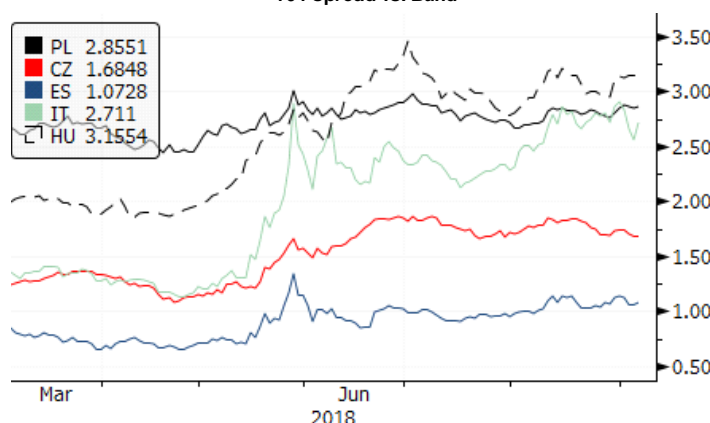
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

TIME		INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE	
CET				MARKET	BZWBK			
FRIDAY (31 August)								
08:00	DE	Retail Sales	Jul	% m/m	-0.2		-0.4	0.9
09:00	CZ	GDP SA	2Q	% y/y	2.3		2.4	2.3
10:00	PL	CPI	Aug	% y/y	2.0	1.8	2.0	2.0
10:00	PL	GDP	2Q	% y/y	5.1	5.1	5.1	5.1
11:00	EZ	Flash HICP	Aug	% y/y	2.1		2.0	2.1
11:00	EZ	Unemployment Rate	Jul	%	8.2		8.2	8.3
16:00	US	Michigan index	Aug	pts	95.5		96,2	95.3
MONDAY (3 September)								
09:00	PL	Poland Manufacturing PMI	Aug	pts	53.1	53.1	51.4	52.9
09:55	DE	Germany Manufacturing PMI	Aug	pts	56.1		55.9	56.1
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	54.6		54.6	54.6
TUESDAY (4 September)								
16:00	US	ISM manufacturing	Aug	pts	57.4		61,3	58.1
WEDNESDAY (5 September)								
	PL	MPC decision		%	1.5	1.5	1.5	1.5
03:00	HU	MNB minutes	Jul-18		-			
03:45	CH	Caixin China PMI Services	Aug	pts	52.5		51.5	52.8
09:00	HU	GDP	2Q	% y/y	4.6		4.8	4.6
09:55	DE	Markit Germany Services PMI	Aug	pts	55.2		55.0	55.2
10:00	EZ	Eurozone Services PMI	Aug	pts	54.4		54.4	54.4
11:00	EZ	Retail Sales	Jul	% m/m	-0.1		-0.2	0.3
THURSDAY (6 September)								
08:00	DE	Factory Orders	Jul	% m/m	1.8		-0.9	-4.0
09:00	CZ	Industrial Production	Jul	% y/y	7.8		10.3	3.1
09:00	HU	Industrial Production SA	Jul	% y/y	8.0		3.9	3.0
14:15	US	ADP report	Aug	k	190.5		-	219.0
14:30	US	Initial Jobless Claims		k	212.0		-	210.0
16:00	US	Durable Goods Orders	Jul	% m/m	-		-	-1.7
16:00	US	ISM services	Aug	pts	56.8		-	55.7
16:00	US	Factory Orders	Jul	% m/m	-0.5		-	0.7
FRIDAY (7 September)								
08:00	DE	Exports SA	Jul	% m/m	0.2		-	0.1
08:00	DE	Industrial Production SA	Jul	% m/m	0.2		-	-0.9
11:00	EZ	GDP SA	2Q	% y/y	2.2		-	2.2
14:30	US	Change in Nonfarm Payrolls	Aug	k	192.0		-	157.0
14:30	US	Unemployment Rate	Aug	%	3.8		-	3.9

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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