

EUR/PLN

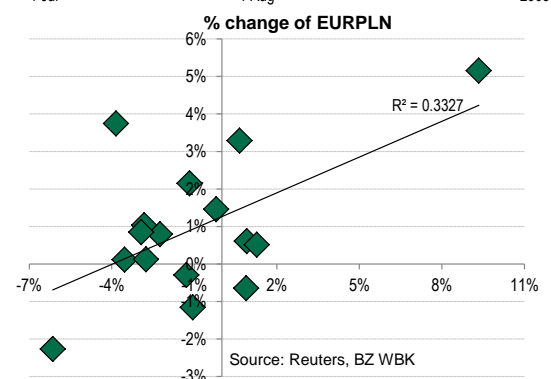
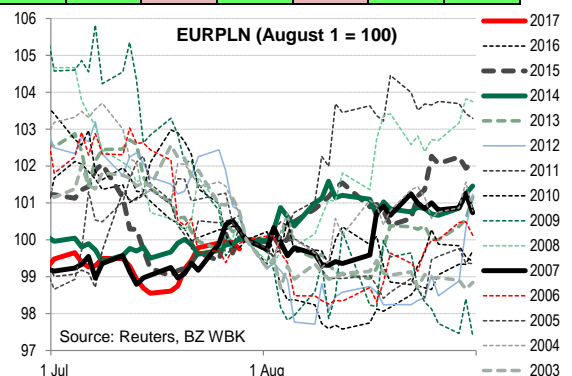
31 July 2017

Holiday seasonality of exchange rate

- We assume the zloty will not gain vs the euro in August. ECB maintains its dovish bias but may soon start to prepare the market for termination of its QE programme. Central bankers meet in Jackson Hole in late August and the media suggest that Mario Draghi could make some more definite remarks on this issue. We expect third Fed rate hike this year which the market is currently not pricing in. At the same time, rhetoric of the Polish MPC is still dovish and this divergence in the monetary policy stance in Poland and abroad may weigh on the zloty. Political tension between the Polish government and the European Commission could add some pressure.
- In our mid-year report released in late June, we recalled the “seasonality” phenomenon of EURPLN. We showed that in the last eight years the zloty was on average appreciating vs the euro in July and giving up part of gains in August. The other EM currencies also depreciate in the second month of holidays.

	% change of exchange rate in August (source: Bloomberg)															
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EURPLN	3.55	-1.15	0.23	2.01	-1.36	0.03	1.00	3.72	-1.21	-0.29	3.29	1.36	0.40	0.71	2.18	0.26
EURHUF	2.41	-0.06	-2.56	0.07	-0.42	1.58	1.40	1.34	2.25	1.10	0.57	0.85	0.37	0.34	2.17	-0.49
USD RUB	0.23	0.24	0.84	0.54	-0.52	-0.15	0.37	5.20	1.04	1.98	4.41	0.33	0.87	4.01	4.54	-0.99
USD TRY	3.08	-3.48	-2.01	2.35	1.39	-2.25	2.39	1.88	2.03	1.24	1.60	1.29	5.07	0.93	5.03	-1.02
USDMXN	0.69	1.19	4.59	-0.16	1.77	-0.35	0.96	2.49	1.05	4.46	5.01	-0.82	4.01	-1.11	3.90	0.58

- The first chart shows that this year in July EURPLN was trading rather in the lower range when compared to historical changes; we see that this does not make the August depreciation less likely (bolded series on the chart).
- At the same time, it is worth bearing in mind that although the zloty usually depreciates in August, it does not mean that EURPLN stays in the upside trend for the whole month. It is often the case that only the second part of August brings zloty's weakness.
- The bottom chart shows relations between the change in EURPLN in the two holiday months. **There seems to be no strong evidence that the July's performance is a harbinger of what may happen in August.** Note, however, that for August the vast majority of points are above “0”.
- In the last 16 years, the trend changed in August after a drop of EURPLN in July eight times but there was only one case when the zloty gained in the second month of holidays after it lost in July.
- After this year's zloty weakening in July, chances for recovery in August are low, in our view.
- Additionally, the effect of the zloty's August depreciation has been pretty strong in the last years (last time EURPLN was lower at the end of August than at the beginning of the month in 2010) which does not bode well for the zloty in the weeks to come.



This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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

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 Luzziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Izabela Sajdak, CFA +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