Bank Zachodni WBK

Eyeopener – daily update

Privatisation: high in 2004, ? in 2005

4 January 2005

The Treasury Ministry released information that privatisation revenues amounted to PLN10.25bn in 2004, which was boosted by IPO of PKO BP (PLN7.6bn). High realisation was good news for the fixed income market, but it might not be repeated in 2005 amid political turmoil around the privatisation of the biggest Polish insurer PZU.

The zloty shared the fate of other currencies and it weakened to the dollar to above PLN3.0. US ISM Manufacturing index rose in December to 58.6 which was slightly above forecasts. New orders component recorded meaningful increase, but employment index fell that may bode ill for Friday's Labour Report.

What's hot today

2004 privatisation revenues topped PLN10bn

Privatisation revenues much above the target in 2004 (at PLN10.25bn)

Yesterday, Treasury Ministry's spokeswoman Agnieszka Dłuska said that privatisation revenues came in at PLN10.25bn as of December 31. This is in line with recent expectations and much more that the PLN8.8bn target set in the 2004 budget. Privatisation revenues were boosted mainly by the sale of Poland's largest bank PKO BP in November, which brought PLN7.6bn to the budget. Larger-than-expected privatisation revenues was good news for the fixed income market, as it lowered potential borrowing needs of the state budget. However, not the whole privatisation revenues go towards financing the budget deficit, as some part of the revenues is spent on particular government's entities. For instance, out of PLN8.8bn targeted in the 2004 budget, only PLN7bn were assumed to finance the budget deficit.

… as they were boosted by IPO of PKO BP (PLN7.6bn)

Privatisation plan for 2005 at PLN5.7bn (PLN4.4bn to finance the budget)

Let us remind that privatisation revenues target for 2005 amounts to PLN5.7bn, out of which PLN4.4bn is planned to finance the budget deficit. The treasury minister said recently it was possible to exceed the target for the second consecutive year, if IPO of the Polish biggest insurer PZU took place. However, it seems quite uncertain given recent information of *Rzeczpospolita* daily concerning possible irregularities during the privatisation of PZU in 1999-2001. All political parties agree that it is necessary to form a special parliamentary investigation commission, which will try to straighten out these irregularities.

Will IPO of PZU take place in current situation?

***Bottom line:* Privatisation revenues in 2004 in line with recent expectations. Higher realisation was good news for the fixed income market, but it might not be repeated in 2005 amid political turmoil around the privatisation of the biggest Polish insurer PZU.**

Market monitor

The zloty opened steady against euro, but lost 0.4% to the dollar as overnight it gained two cents on technical rebound to the euro. The American currency

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The zloty trading ranges (03.01.2005)

	Min	Max	Fixing
USD	3.0040	3.0370	3.0123
EUR	4.0745	4.0840	4.0788

F/X rates (today's opening)

EURUSD	1.3457	**CADPLN**	2.5072
USDPLN	3.0303	**DKKPLN**	0.5484
EURPLN	4.0794	**NOKPLN**	0.5013
CHFPLN	2.6400	**SEKPLN**	0.4579
JPYPLN*	2.9545	**CZKPLN**	0.1340
GBPPLN	5.8474	**HUFPLN***	1.6811

*per 100 units

T-bills auction (03.01.2005)

T-bills	Bid	Sale	Average Yields	Change (bp)
	PLN m			
13-week	460	100.0	6.20	-8
52-week	3 440	700.0	6.25	-12

Treasury yield curve (03.01.2005)

T-bills	Yield	Change (bp)
3M	6.20	-14
6M	6.24	-12
9M	6.25	-10
12M	6.25	-9
Bonds		
2Y	6.16	-13
3Y	6.12	-5
4Y	6.12	-8
5Y	6.11	-5
8Y	5.87	-4
10Y	5.79	-5
20Y	5.73	-5

WIBOR rates (03.01.2005)

Term	Rates	Change (pb)
O/N	6.54	-10
T/N	6.56	-11
SW	6.60	-6
2W	6.60	-7
1M	6.62	-4
3M	6.61	-3
6M	6.60	-1
9M	6.56	-4
1Y	6.54	-3

breached from below the PLN3.0 barrier against zloty without any difficulty and stopped just above it. Before closing the Polish currency got cheaper another 0.1% and ultimately broke 3.02 to dollar and 4.08 to the euro.

Yield curve moved downwards on strong Bund market amid still poor liquidity. DS0509 reached 6.11% at opening. Substantial demand at T-bills auction and lower than market expected offer for two-year bonds pushed yields in that sector to 6.18%, while longer dated papers remained virtually unchanged. After increases in the German market continued in the afternoon, the Polish curve slid another 2bp.

The Ministry of Finance announced the offer for Wednesday new 2y benchmark (OK0407) auction of PLN2bn that was slightly below forecasts as market broadly anticipated higher supply due to strong sentiment in the market and low liquidity deposit. Moreover, the ministry presented that starting from this month it will issue new five-year benchmark PS0310 (supply range PLN2.5-3.5bn) with first auction on 19th January. Next week on Wednesday current 10y benchmark will be offered.

On Monday's T-bills auction the ministry sold the entire offer of 1y at 6.25% and 13-weeks at 6.20% on average. As T-bills market is driven mainly by developments at auctions, the secondary market reacted adjusting prices to tender's indication. By the way of presentation of bonds issuance schedule the ministry showed its estimated offer for remaining T-bills auctions. On each of them investors will have an opportunity to buy PLN600-900m of 1y bills. 3m bills will be available only on the next two tenders in the amount of PLN100m. Accumulation of 13-weeks bills tenders after a three month's break is related to the fixing of the next coupon of 3y floaters.

***Bottom line**: The zloty shared the fate of other currencies that weakened to the dollar. Yield curve moved down on surging Bunds flattening in 2y sector on favourable market events. Today the bond market will get itself ready for the auction. For the lack of domestic events zloty will seek an impulse abroad.*

International update

ISM Manufacturing index rose in December to 58.6 which slightly surpassed forecasts. New orders component recorded meaningful increase, while employment index fell that may bode ill for Friday's Labour Report, because it is the second data in a row (after Chicago PMI) that points to persistently weak job market performance.

Today, from a list of publications included in the table below, the market will focus its attention at November factory orders in US.

TIME GMT	COUNTRY	INDICATOR	PERIOD		FORECASTS	LAST VALUE
07:45	FRA	GDP (M)	Q3	%QoQ	0.1	0.6
08:55	GER	Unemployment rate (M)	Dec	%	10.8	10.8
15:00	US	Factory orders (H)	Nov	%	0.8	0.5
15:00	US	Durable goods orders – revised (M)	Nov	%	-	1.6

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