

Eyeopener – daily update

Correction of the zloty rate

9 December 2005

Finance minister Teresa Lubiąska said yesterday that Poland's new convergence programme will be presented by 10 January 2006 (last week she had suggested 10 December). She did not reveal many new information about the programme, however ensured that public debt will not exceed 55% of GDP and no other precautionary measures will be breached. In Lubiąska's view current level of economic growth does not allow to go down with fiscal deficit quickly, which is another suggestion that a path of fiscal consolidation embedded in new convergence programme will be less ambitious than the previous one.

The zloty trading ranges (8.12.2005)

	Min	Max	Fixing
EUR	3.8435	3.8760	3.8628
USD	3.2705	3.2840	3.2820

F/X rates (today's opening)

EURUSD	1.1800	CADPLN	2.8297
USDPLN	3.2915	DKKPLN	0.5166
EURPLN	3.8833	NOKPLN	0.4865
CHFPLN	2.4935	SEKPLN	0.4085
JPYPLN*	2.7332	CZKPLN	0.1331
GBPPLN	5.6938	HUFPLN*	1.5308

*per 100 units

Treasury yield curve (8.12.2005)

T-bills	Yield	Change (bp)
3M	4.34	7
6M	4.34	-11
9M	4.40	-7
12M	4.47	0
Bonds	Yield	Change (bp)
2Y	4.77	-3
3Y	4.88	2
4Y	5.13	6
5Y	5.20	4
8Y	5.23	5
10Y	5.24	5

WIBOR rates (8.12.2005)

Term	Rates	Change (pb)
O/N	4.41	12
T/N	4.56	10
SW	4.60	0
2W	4.60	0
1M	4.60	0
3M	4.63	-1
6M	4.69	-1
9M	4.75	0
1Y	4.82	0

Market monitor

Yesterday, the Polish currency depreciated against the euro and gained versus the dollar. EURPLN increased from 3.8440 to 3.8580 at the opening which was followed by a correction below 3.85. Later on Polish currency continued to fall as a reaction to forint weakening by over 1%, which was supported by poor bonds auction in Hungary and contributed to the region's currencies fall. Poor bond auction demand was a consequence of Hungarian credit rating downgrade by the Fitch agency. Ultimately the EURPLN rose to 3.8750 which was a 0.9% higher as compared to the morning opening. The USDPLN fell slightly from 3.2820 to 3.2800. Dollar lost all its Wednesday gains and EURUSD rose to 1.178 as investors decided to take profits on long dollar positions. Statement of ECB's Executive Board Member Lorenzo Bini Smaghi that rate hike in the EMU did not fully curb the inflation pressure and did not vaccinated against the inflation flu was the most hawkish one since rate hike decision and additionally boosted euro rally up to 1.1836 against the dollar, to close edge lower at 1.1818.

The Polish debt market weakened on Thursday session as compared to Wednesday closing. At the opening the yield curve was slightly lower, but it weaker on poor results of bond auction in Hungary. Lower equity prices on the global markets resulted in bonds rally on the core bond markets. 10-year US Treasuries strengthened and their yields dropped from 4.49% to 4.46% amid auction of USD8.0bn worth of 10-year notes. 10Y bunds yields dropped from 3.39 down back to 3.36.

Bottom line: Zloty fell against the single currency and bonds market weakened on correction in the region.

International update

Jobless claims in U.S. amounted 327,000 as compared with 321,000 in the previous week and were higher than market consensus at 317,000 though they are soft influence on the market.

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EBC's Chief Economist Otmar Issing declared yesterday that market expectations for inflation lowered close to 2.0% and that the ECB did not plan a series of rate hikes, though it would be ready to act in case price stability was endangered.

The Bank of England left the main interest rate unchanged at 4.5%.

Two important U.S. figures are scheduled for today. These are Preliminary Michigan index with market expectations of rise from 81.6 pts in November to 85.5 pts this month and wholesale inventories with forecasted drop from 0.6% in September down to 0.5% in October.

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