Bank Zachodni WBK

Eyeopener – daily update

Battle in the parliament ahead

6 April 2006

Today, the Sejm will debate on a motion on parliament's self-dissolution submitted by PiS. The vote is expected to take place in the evening, and will most likely end up with a failure, as it is supported only by PiS and SLD. After rejection of the proposal to shorten Sejm's term of office, ruling PiS will most likely turn to minor opposition parties to set up a formal government coalition. One of the potential allies is Samoobrona, and the second could be LPR, PSL, or group of rebel deputies from both caucuses. In any case, this would imply a mix that is hardly promising for future economic policy of the government. Events in the parliament are not supportive for moods on the financial market, especially that a coalition with populists implies a risk of major reshuffle in the cabinet, including possible dismissal of finance minister.

Apart from domestic politics, market players will also eye meetings of the European Central Bank and the Bank of England that will be discussing monetary policy actions today. No interest rate changes are expected in either case, however wording of EBC statement could be important for the markets, being a hint on possible future moves in European rates.

The zloty trading ranges (05.04.2006)

	Min	Max	Fixing
EUR	3.9540	3.9800	3.9789
USD	3.2000	3.2430	3.2418

F/X rates (today's opening)

EURUSD	1.2286	CADPLN	2.7684
USDPLN	3.2476	DKKPLN	0.5283
EURPLN	3.9897	NOKPLN	0.5004
CHFPLN	2.4887	SEKPLN	0.4196
JPYPLN*	2.7600	CZKPLN	0.1385
GBPPLN	5.6477	HUFPLN*	1.4969

*per 100 units

Polish Treasuries (05.04.2006)

Term	Yield	Change (bp)
2Y	4.33	5
3Y	4.53	-2
4Y	4.74	0
5Y	4.81	-1
8Y	4.98	0
10Y	5.00	0

WIBOR rates (05.04.2006)

Term	Rates	Change (bp)
O/N	4.13	1
T/N	4.13	1
SW	4.15	0
2W	4.15	-1
1M	4.15	0
3M	4.17	-1
6M	4.18	0
9M	4.18	0
1Y	4.18	-1

Forward Rate Agreements (05.04.2006)

Term	Mid	Change (bp)
1x2	4.12	1
3x6	4.11	-3
6x9	4.15	-1
9x12	4.17	-1
3x9	4.16	1
6x12	4.19	2

Market monitor

Polish currency appreciated throughout the day against the euro as well as the dollar. Zloty opened much weaker than at Tuesday's closing against the main currencies and appreciated from 3.987 to 3.954 against the euro and from 3.247 to 3.215 against the dollar. At the end of the session EURPLN and USDPLN eased to 3.966 and 3.223 respectively. The greenback initially depreciated against the single currency to 1.229 from 1.227, however after strong ISM figure, the EURUSD rate moved back to the opening level. Today at the opening zloty is weaker again against the euro, near 3.98.

Polish debt strengthened initially in reaction to drop of U.S. Treasuries yields, however near the end of the session bonds eased again. Yields fluctuated in narrow ranges throughout the session. U.S. Treasuries were slightly firmer after a bit dovish statement of Fed's Hoenig, who indicated that rate rise series may be near to an end. Treasuries remained stronger despite higher than expected services ISM index. 10Y yields of U.S. government bonds declined from 4.85% to 4.83%, while the yields of 10Y German Bunds remained unchanged at 3.84%.

At yesterday's auction Poland placed PLN3.6bn of 2-year benchmark OK0408 bonds at average yield of 4.37% and with demand of PLN10.62bn. At the top-up tender the Ministry of Finance sold additional PLN720m of bonds and the demand amounted to PLN2.15bn.

Bottom line*: *Zloty opened much weaker than at yesterday's closing and appreciated throughout the session, while bond yields change was quite moderate. Today the market will wait for the ECB's decision and the communiqué which may hint the term of further rate hikes.

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International update

Eurozone non-manufacturing PMI index remained at unchanged level as compared to February (58.2) and was a bit lower than the forecast of 58.3. Jobs index rose from 53.1 to 54.1. Input prices index eased from 58.9 to 58.1, while the charged prices component increased from 52.2 to 52.4, which showed the fastest pace of a price rise since April 2002. Employment index soared from 53.1 to 54.1 which showed the fastest growth of new jobs for five years.

Retail sales in the EU-12 countries fell by 0.2%MoM and 1.0%YoY driven by sales of non-food products as compared to 0.5%MoM and 1.3%YoY rise in January. The market expected flat figure on monthly basis while the annual rise was in line with forecasts. Retail sales reflecting consumer demand in the euro zone is the weakest factor contributing to EU-12 GDP growth.

ISM index reflecting business activity in the services sector in U.S. soared to 60.5 from 60.1 in February, while analysts expected the figure at 59.0 level.

TIME GMT	REGION	INDICATOR	PERIOD		MARKET	LAST VALUE
10:00	GB	BoE meeting – decision (M)	Apr	%	4.5	0,9
11:45	EMU	ECB meeting – decision (H)	Apr	%	2.5	60,1

Source: Reuters

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