Bank Zachodni WBK

Eyeopener – Waiting for Bernanke's speech

14 February 2007

- **Strengthening of the zloty and other currencies in the region amid dollar weakening against euro**
- **Publication of money supply data today**
- **Foreign markets awaiting Fed governor Ben Bernanke's testimony**

The yesterday's session in the Polish financial market was quite calm. After Monday's weakening, the zloty slightly strengthened, similar to other currencies in the region and a large part of emerging markets' currencies. During the day the EURPLN rate fell from 3.922 to 3.908, but at the end of the session it rose to the level seen at the opening. The USDPLN rate fell during the session from 3.017 to 3.014. After close of the domestic session, another wave of zloty strengthening took place, to 3.906 against the euro and 2.997 versus the dollar. All currencies in the region were supported by good GDP numbers in Slovakia which showed 9.5% growth (above forecasts pointing to 8.1% rise).

Yesterday's session on the debt market was also calm. Yields fell by 1-3bp across the curve. The strengthening took place, despite hawkish comments from MPC member Stanisław Noga. He suggested in an interview with PAP that more than one rate hike will be needed to prevent inflation from excessive rise in 2008. In his opinion, after low CPI in 2007, which will be partly a result of base effect, in 2008 inflation should be close to indicated by the latest inflation projection. According to Noga, a rate hike of 25bp would only be a signal move, while actual monetary tightening should consist of more than one move. The key data for Noga will be GDP figures and he expects they will be similar to the ones for the previous year. MPC member added that the Council "should care about 2008 and begin to act". In our opinion, fresh economic data and a "restrictive bias" in monetary policy that was informally introduced by the MPC increased probability of rate hikes, but we still think this will happen only at the beginning of 2008.

The Warsaw Stock Exchange was closed yesterday for a couple of hours because of technical reasons but this did not influence investors' sentiment and did not lead to higher volatility of Polish assets. All in all, the Warsaw bourse ended the day much stronger.

According to preliminary estimations of the Ministry of Finance the state budget in January saw a surplus of PLN1.4-1.5bn, which is a very good result - surplus doubled as compared to high 700m in January 2006. This was probably driven by the continuation of higher revenues' increase amid excellent overall economic climate and suggests no problems with deficit realisation in 2007.

In the international markets the dollar weakened against to the level above 1.30 against the euro. During the European session the EURUSD rate rose from 1.299 do 1.301, which was connected with positive ZEW data, high growth in GDP and industrial production in the euro zone, as well as higher than expected US trade deficit. ZEW rose to 2.9 from -3.6 against expectations at the level of 5. In 4Q06 GDP in the euro zone increased by 0.9% QoQ and 3.3%YoY as compared with the market consensus of 0.6% and 3.0%, respectively. In 2006 as a whole GDP growth in EU-12 amounted to 2.7% against 1.4% in the previous year. In December industrial production increased by 4%YoY (expectations at 2.6%). The trade balance in the United States increased to US$61.2bn in December (from 59.9bn in November), which led to moderate strengthening of Treasuries amid lower expectations for US GDP growth in the fourth quarter. Then investors focused again on semi-annual testimony of Ben Bernanke. Yield of 10-year Treasuries fell to 4.79% from 4.81%.

Today the Ministry of Finance will offer PLN2bn of 10-year floating bonds WZ0118, while there will no auction of inflation-linked 12-year bonds. The range of supply indicated earlier by the ministry amounted to PLN1.5-2.5bn for the former and PLN0-500m for the latter.

In the domestic market M3 money supply data will see the daylight. We expect a continuation of M3 rise (15.6%YoY) and of loans (23.2%YoY), which will support the thesis of fast pace of economic growth at the start of this year. This data should have no significant impact on the market.

In international markets investors will be awaiting the hearing of Federal Reserve Governor Ben Bernanke in front of US Senate Banking Committee, which was planned for 15:00 GMT. Earlier at 13:30 GMT important January retail sales figures from United States are going to be releases. The market consensus shows a rise by 0.4%MoM against 0.9%MoM in December.

Today zloty opened at 3.908 against the euro and 3.012 versus the dollar while the EURUSD rate rose to 1.308 in expectations of Fed and new data as well as in reaction to ECB's Klaus Liebsher comments on upside risks for inflation in the euro zone.

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Kursy walutowe (dzisiejsze otwarcie)

EURUSD	1.3074	CADPLN	2.5488
USDPLN	2.9885	DKKPLN	0.5224
EURPLN	3.9070	NOKPLN	0.4783
CHFPLN	2.3968	SEKPLN	0.4278
JPYPLN*	2.4507	CZKPLN	0.1377
GBPPLN	5.8386	HUFPLN	1.5330

Przegląd rynku finansowego - 13.02.2007

Główne notowania walutowe

	min	max	otwarcie	zamkn.	fixing
EURPLN	3.908	3.9217	3.9217	3.9217	3.918
USDPLN	2.997	3.0192	3.019	3.0141	3.0145
EURUSD	1.2985	1.3038	1.2991	1.3013	-

Obligacje

Termin	Obligacja	%	Zmiana (pb)	Ostatnia aukcja	Sr. Rentowność
2L	OK1208	**4.43**	**-3**	7.02	4.494
5L	PS0412	**4.98**	**-1**	17.01	4.987
10L	DS1017	**5.18**	**-1**	10.01	5.234

Stawki IRS (Mid)

Termin	PL %	PL Zmiana (pb)	US %	US Zmiana (pb)	EU %	EU Zmiana (pb)
1L	4.47	1	5.43	0	4.16	1
2L	**4.74**	**3**	5.30	1	4.21	2
3L	4.86	1	5.24	0	4.22	1
4L	4.95	-1	5.22	0	4.23	1
5L	**5.01**	**-1**	5.23	1	4.24	1
8L	5.08	-2	5.28	0	4.30	1
10L	**5.11**	**-2**	5.32	0	4.35	1

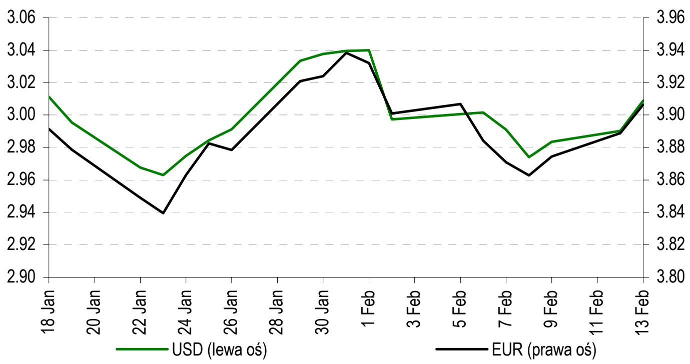
Stawki WIBOR

Termin	%	Dzienna zmiana (pb)
O/N	4.08	1
T/N	4.10	0
SW	4.12	0
2W	4.12	0
1M	4.12	0
3M	4.19	-1
6M	4.26	0
9M	4.36	0
1Y	4.43	0

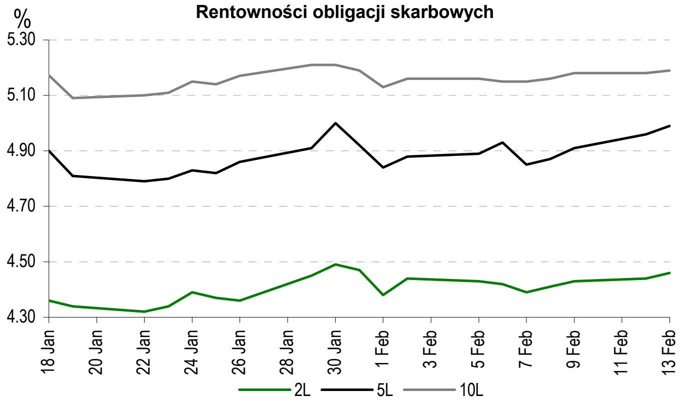
Stawki FRA (Mid)

Termin	% (Mid)	Dzienna zmiana (pb)
1X2	4.14	0
3X6	4.22	1
6X9	4.30	1
9X12	4.38	1
3X9	4.46	0
6X12	4.54	1

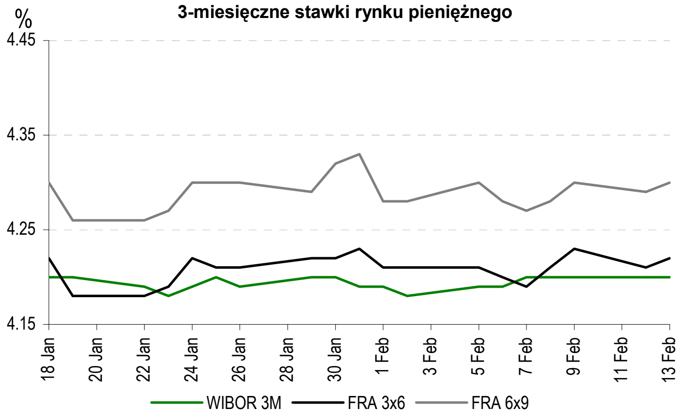
Kurs złotego



Rentowności obligacji skarbowych



3-miesięczne stawki rynku pieniężnego



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