

Eyeopener – New data abroad

27 February 2007

- **Zloty fell yesterday amid higher risk aversion in global markets; correction continues today**
- **Bond prices remained almost unchanged amid strengthening on core debt markets**
- **New data releases expected abroad (especially housing market data in the US)**

At yesterday's session there was some weakening of emerging market currencies, including our region, which negatively affected the zloty. The EURPLN rate rose to 3.896 from 3.882 and the USDPLN rate increased to 2.958 from 3.946.

To some extent, the weakening in emerging markets could be related to concerns in the global markets about growing geopolitical risk and nuclear program of Iran. Another reason for rising risk aversion is an increase in default risk in the US mortgage market. The concerns brought about higher interest in quality assets, such as government bonds in the most developed economies. Thus, yields of 10-year Treasuries fell to 4.64% and yields of 10-year Bunds dropped to 3.99%. At the end of the session yields of domestic bonds were almost unchanged as compared to Friday's close.

The Hungarian central bank did not change interest rates yesterday and the main rate remained at 8%. The decision has no impact on the forint and other currencies in the region, although some analysts had expected 50bp hike.

With no major data releases abroad, the EURUSD rate did not move much yesterday. During the Polish session it slightly fell to 1.317 from 1.318. After the close of the European session the dollar weakened and the EURUSD rate rose to 1,319, but today at the opening it was again at 1.317.

Deputy finance minister Katarzyna Zajdel-Kurowska said yesterday that if the Paris Club agrees for early repayment of Poland's debt, the Ministry of Finance will consider an increased issuance of bonds denominated in foreign currencies in order to pay back the old debt. The whole outstanding debt to the Paris Club amounts to €4.3bn. In

this year's budget a repayment of €1.7bn was planned (around PLN6.7bn). According to Zajdel-Kurowska, the early repayment of the debt to Paris Club could improve Poland's rating. At the same time, it would enable some reduction in foreign debt servicing costs.

Today there are no important domestic events in the agenda, while a number of publications will be revealed abroad. At 9:00 GMT the euro zone's money statistics will be released. The market expects broad money to grow 9.5%YoY in January after 9.7% in December. At 13:30 GMT, US durable goods orders will be released. Market consensus shows fall in orders by 1.5% in January against 2.9% increase in December. At 15:00 GMT quite important data about consumer sentiment will be released. Wall Street analysts predict to see the index at 110,0 against 110,3 in the previous month. The most important data of the day, i.e. existing home sales in the US, will be delivered at 15:00 GMT as well. The market predicts fall in home sales to 1.1 million in January from 1.12 in the previous month. Housing market data are crucial, as they have big influence on the analysts' assessment of perspectives of the American economy. Foreign investors will be also awaiting more data from the US due later this week.

Investors in Poland will be waiting for the MPC decision and statement, scheduled for tomorrow.

There will be also meeting of other central banks in the region, i.e. in Czech Republic (tomorrow) and Slovakia (today), but no changes in monetary policies are expected in those countries.

Today the zloty opened weaker with EURPLN going up to 3.908 and breaching important technical level 3.9030, and USDPLN rising to 2.695. Possibly, expectation for weak housing data in the US and related fears of economic slowdown will keep depressing currencies in the emerging markets throughout the day.

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F/X rates (today's opening)

EURUSD	1.3166	CADPLN	2.5602
USDPLN	2.9691	DKKPLN	0.5246
EURPLN	3.9091	NOKPLN	0.4853
CHFPLN	2.4118	SEKPLN	0.4218
JPYPLN*	2.4626	CZKPLN	0.1376
GBPPLN	5.8280	HUFPLN	1.5494

Financial market review - 26 Feb 07

The zloty trading ranges

	min	max	open	close	fixing
EURPLN	3.876	3.8851	3.8833	3.8815	3.8945
USDPLN	2.9407	2.9627	2.959	2.9481	2.9573
EURUSD	1.3109	1.3185	1.3126	1.3166	-

T-bonds

TERM	BOND	Yield (%)	Change (bp)	Last auction	Average yield
2Y	OK1208	4.52	-2	7.02	4.494
5Y	PS0412	5.05	0	17.01	4.987
10Y	DS1017	5.23	0	10.01	5.234

IRS rates (Mid)

TERM	PL	US	EU
	%	%	%
	Change (bp)	Change (bp)	Change (bp)
1Y	4.51	5.41	4.15
2Y	4.73	5.32	4.20
3Y	4.87	5.27	4.20
4Y	4.96	5.26	4.22
5Y	5.02	5.27	4.22
8Y	5.09	5.33	4.28
10Y	5.10	5.36	4.33

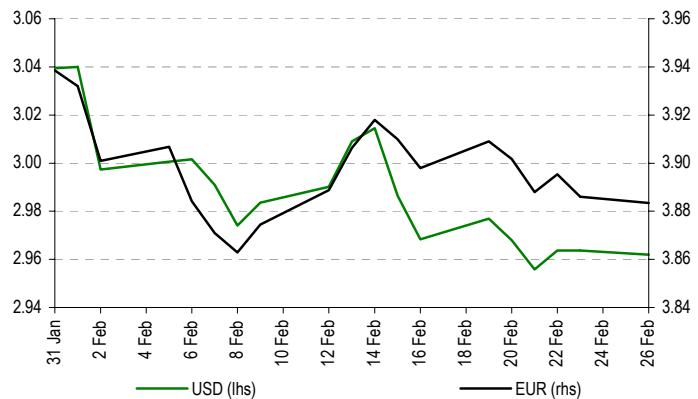
WIBOR rates

TERM	%	Daily change (bp)
O/N	3.15	-92
T/N	3.39	-70
SW	4.10	-1
2W	4.11	0
1M	4.11	-1
3M	4.20	0
6M	4.31	0
9M	4.41	0
1Y	4.51	1

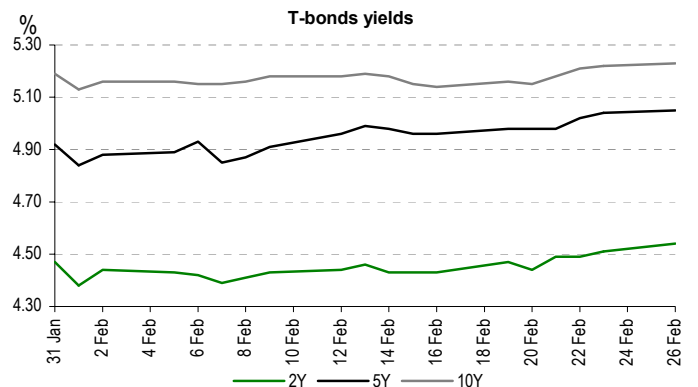
FRA rates (Mid)

TERM	%	Daily change (bp)
1X2	4.17	-1
3X6	4.29	1
6X9	4.41	1
9X12	4.52	1
3X9	4.63	0
6X12	4.72	1

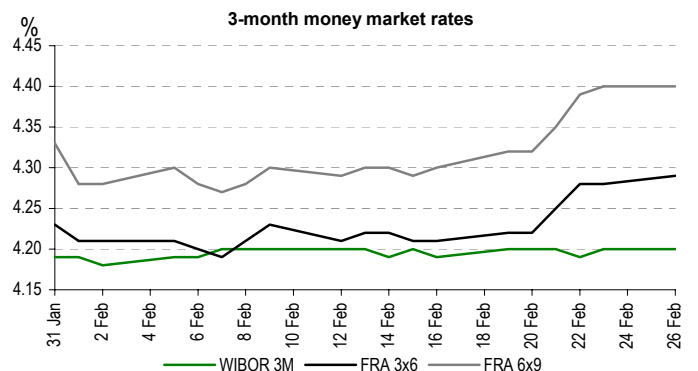
Zloty exchange rate



T-bonds yields



3-month money market rates



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