Bank Zachodni WBK

Eyeopener – Key local data due today

15 April 2008

- **Zloty strengthened, despite uncertainty in the global markets; EURPLN approached 3.40**
- **Rebound in the local debt market**
- **Today we will get key domestic economic figures: CPI, wages and employment for March as well as balance of payments for February**

At yesterday's session the zloty rebounded after weakening seen on Friday in the afternoon. Correction of the domestic currency was very short-lived. Following weaker opening, later in the day the zloty was gradually strengthening both to the euro and the dollar. In the afternoon EURPLN fell below 3.41 and approached the psychological level of 3.4. USDPLN was additionally driven by weakening of the dollar in the international markets and dropped below 2.15 against 2.18 at the opening. At the same time main indices at the Warsaw Stock Exchange were slightly below levels at Friday's close, but above yesterday's opening levels. After slight declines in the stock markets in the US yesterday and relatively positive session in Asia today, sentiment in the global markets stabilized. Today at opening the zloty was traded against majors at similar levels as at yesterday's close. The local debt market strengthened yesterday. Bonds yields fell a few basis points across the curve against levels seen at the end of last week.

Yesterday, MPC member Halina Wasilewska-Trenkner said in an was interview with Radio PiN that one could expect another sharp inflation rise in the autumn, unless very good crops halt a rise in food prices. In her opinion, the monetary tightening will most likely be continued and this should be supported by structural reforms that would create space for a price decrease or a halt in their growth. The comments had no impact on the market.

At yesterday's tender the Ministry of Finance sold 13-week bills worth PLN572m, 26-week bills worth PLN1bn and 52-week bills worth PLN3.1bn against offered PLN500m, PLN1bn and PLN3.1bn correspondingly. Average yields reached 6.06%, 6.22% and 6.38%, respectively. The Ministry informed also that there will be no switch auction on Wednesday.

According to the Ministry of Finance, changes in the excise tax next year will increase budget revenues by ca. PLN2bn in 2009 and in the next years they will dependent on changes of the excise rates.

The NBP data showed a money supply growth of 13.5%YoY in March against a market forecast of 13.9% and our expectations of 13.8%. The credit growth stayed at February level of 29.5%YoY. The data had no influence on the market.

Head of the Polish Information and Foreign Investment Agency, Paweł Wojciechowski, said yesterday that Poland would attract investments worth ca. €50bn within next 3 years.

Comments after the G7 meeting over the weekend, which stressed concerns about exchange rates volatility only temporarily supported the dollar. Yesterday the US currency was depreciating against the euro and EURUSD rose from 1.573 at the opening to 1.584 at the end of the session. The euro was backed by better than expected data from the euro zone. The industrial production in the euro zone grew 0.3%MoM (3.1%YoY) in February against 0.6%MoM (3.3%YoY) rise in January. Analysts expected an increase by 0.2%MoM and 2.9%YoY. Data from the US also appeared better than expected. Retail sales rose 0.2%MoM, which was better than expected no change in monthly terms amid upward revision for the previous month. However, it is worth to note that high fuel and food sales contributed to a better result, which resulted from their higher prices. In the core debt markets after a stabilisation of Bunds near 3.92% and strengthening of 10Y Treasuries to 3.44% in the first part of the session, later in the day there was a correction. At the end of the Polish session yields of 10Y Treasuries and Bunds rose to 3.48% and 3.93%, respectively. Today in the morning they were at similar levels. EURUSD was at 1.583.

Today at 13:00 GMT we will get domestic data on inflation, wages and employment. We expect a moderate decline of inflation in March to 4.1%YoY, the same as the Ministry of Finance, while the median of market forecasts is at 4.2%YoY. Our forecasts of wages and employment in the enterprise sector are in line with the market consensus, at 11.1%YoY and 5.9%YoY, respectively, which means some deceleration of wages growth (from 12.8%YoY in February) with still strong growth of employment. In our view the data confirm our expectations assuming no interest rate hike in April and should be positive for the interest rate market. At the same time the NBP will release the balance of payments data for February. We forecast it should show stronger exports and imports growth as compared to the consensus (which is suggested by strong growth in production and sales in February) and slightly higher current account deficit at €1.194bn against €1.035bn in January.

The ZEW index for April will be released at 9:00 GMT (11:00 CET) and it is expected to rise to -30 pts from -32 pts. At 12:30 GMT (14:30 CET) the Fed index of manufacturing activity in the New York region is going to be released. The market expects an increase to -17.5 pts in April from 22.2 pts the previous month. At the same time we will get the PPI inflation figures from the US for March. According to the consensus, the core PPI rose 0.2%MoM against 0.5% rise in the previous month. At 13:00 GMT (15:00 CET) a capital flows report for February will be published. Besides, today the ECB president Jean Claude Trichet will take the floor.

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F/X rates (today's opening)

EURUSD	1.5832	CADPLN	2.1102
USDPLN	2.1497	DKKPLN	0.4562
EURPLN	3.4020	NOKPLN	0.4297
CHFPLN	2.1516	SEKPLN	0.3618
JPYPLN*	2.1240	CZKPLN	0.1377
GBPPLN	4.2370	HUFPLN	1.3556

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The zloty trading ranges

	min	max	open	close	fixing
EURPLN	3.4035	3.4380	3.4358	3.4032	3.4295
USDPLN	2.1483	2.1856	2.1838	2.1485	2.173
EURUSD	1.5724	1.5878	1.5735	1.5842	-

T-bonds

TERM	BOND	Yield (%)	Change (bp)	Last auction	Average yield
2Y	OK0709	**6.23**	**-5**	2.04	6.193
5Y	PS0412	**6.10**	**-6**	5.03	6.167
10Y	DS1017	**5.98**	**-5**	9.04	6.054

IRS rates (Mid)

TERM	PL		US		EA	
	%	Change (bp)	%	Change (bp)	%	Change (bp)
1Y	6.47	-6	2.50	5	4.63	4
2Y	**6.22**	**-4**	2.61	5	4.26	4
3Y	6.05	-5	2.90	4	4.12	-1
4Y	5.96	-6	3.20	6	4.15	4
5Y	**5.90**	**-5**	3.44	7	4.16	3
8Y	5.76	-5	3.91	4	4.31	2
10Y	**5.72**	**-6**	4.13	4	4.42	2

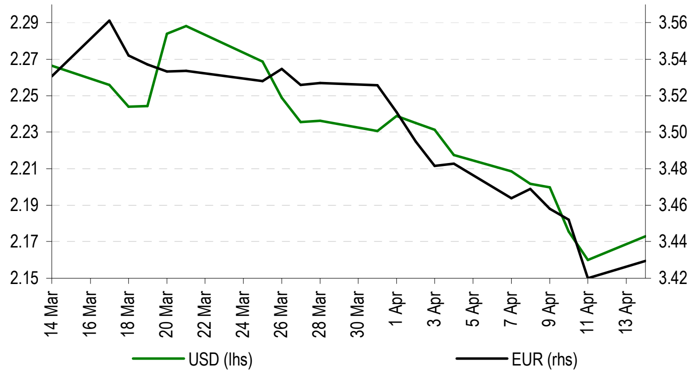
WIBOR rates

TERM	%	Daily change (bp)
O/N	5.95	0
T/N	5.95	-1
SW	5.97	0
2W	5.99	0
1M	6.11	0
3M	6.30	-1
6M	6.49	0
9M	6.59	1
1Y	6.67	0

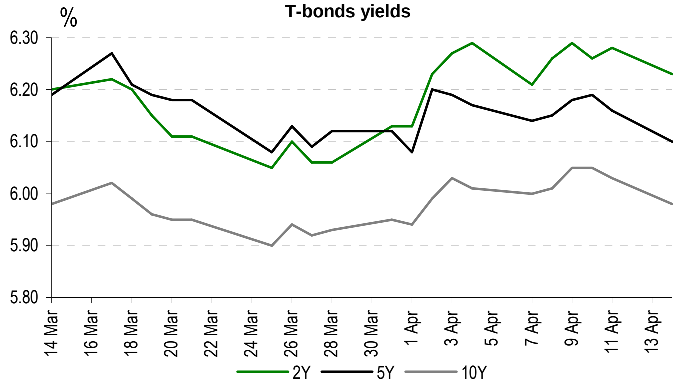
FRA rates (Mid)

TERM	%	Daily change (bp)
1X2	6.20	-1
3X6	6.39	-5
6X9	6.37	-6
9X12	6.24	-4
3X9	6.46	-5
6X12	6.38	-6

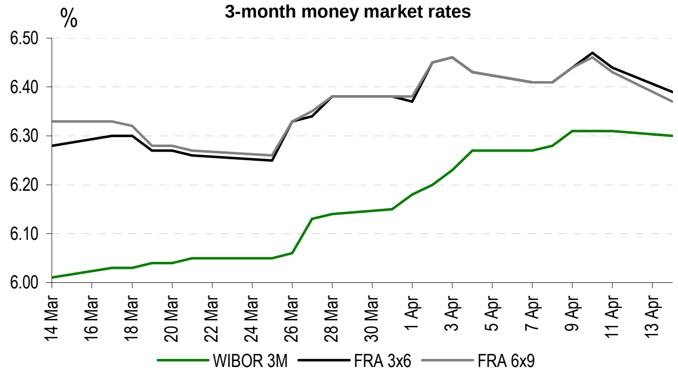
Zloty exchange rate (fixing)



T-bonds yields



3-month money market rates



* for 100 JPY

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