

# Eyeopener – Clear zloty weakening

3 November 2009

- **Zloty clearly weakened after the Monday session close**
- **Today no important domestic events, abroad new forecasts of the European Commission and September data on factory orders in the US**

Yesterday's session brought little changes in the Polish financial market. For the better part of the day the zloty was traded in narrow ranges versus major currencies (EURPLN 4.25-4.265 and USDPLN 2.873-2.89) with limited move in EURUSD (1.475-1.479). The situation has changed only towards the end of Polish trading hours when risk appetite increased in the global markets in reaction to stronger than expected macro data from the US. Namely, the ISM manufacturing rose to 55.7pts in October from 52.6pts in September, while the market expected 53.0pts. In turn, the number of pending home sales rose 6.1% in September while no change was expected. Following release of the data, there was clear rebound in major stock indices globally and EURUSD rose above 1.48. In the domestic FX market this translated into strengthening of the zloty below 4.25 to the euro and 2.87 to the dollar.

In the core debt markets it was quite stable yesterday and even rise in risk appetite towards the end of the Polish session did not led to major changes. At the end of the Polish session yields of 10Y Treasuries and Bunds were at 3.41% and 3.24%, near the levels seen at the opening.

In the local interest rate market it was also stable yesterday. Macro figures domestically (PMI manufacturing) and abroad as well as unexpectedly low inflation estimate of the FinMin did not affect the market. Daily changes in bond yields, FRA and IRS rates were not larger than 2bps.

The Poland's PMI manufacturing rose to 48.8pts in October from 48.2pts in September. The outcome almost exactly matched our forecast at 48.9 and was above market consensus at 48.6. Such result is consistent with scenario of gradual and slow recovery of the Polish economy.

According to FinMin's estimate, the CPI inflation decelerated to 3.1%YoY with monthly price rise of 0.2% while our forecast is at 3.3%YoY. Deputy head of the FinMin's research department, Sławomir Dudek, said in an interview with PAP that CPI inflation should stabilise around 3%YoY until the end of this year. In his opinion the FinMin's estimates for October indicate there was again surprise in food prices. Namely, the ministry estimates food prices rose 0.4%MoM, i.e. much less than on average in the analogous period of the previous 10 years. We estimate that food prices rose 0.5%MoM in October. The FinMin is also

quite optimistic about fuel prices assuming they fell 2.0%MoM while according to our estimates they stabilised.

The Ministry of Finance denied yesterday that there are plans to suspend the safety thresholds for public debt to GDP ratio. Spokesman of the ministry, Magdalena Kobos said in an interview with PAP that "the Ministry of Finance does not plan and does not conduct any actions aimed at suspending safety thresholds for public debt to GDP ratio established in the Public Finance Act". According to her, "such actions would be irresponsible and it would be negative signal for the markets", which we fully agree with.

The minister in the President's Office, Paweł Wypych, informed yesterday in an interview with PAP that the President Lech Kaczyński did not choose members of next Monetary Policy Council yet and will point them at latest in the beginning of January 2010. The terms of the Council members, to be replaced by the President (Dariusz Filar, Andrzej Sławiński and Andrzej Wojtyła) are maturing on 18. February 2010. Among potential candidates, who may be pointed by Lech Kaczyński, there are a few names mentioned: Adam Glapiński, Andrzej Kaźmierczak, Zyta Gilowska and Wojciech Roszkowski.

Global moods improvement did not hold long and after the close of the domestic session investors were taking profits, there were falls in the equity markets, recovery of the dollar and clear weakening of the zloty and forint. The EURPLN breached 4.30 amid low liquidity. The end of the US session brought slight recovery, though the Asian session (closed Japanese market) was rather mixed and the red colour was dominating due to investors concerns about the economic growth after the end of the stimulus programmes and due to weaker than expected financial results of Asian companies, which appeared to be more important than the better earnings of Ford. Apart from this as expected the Reserve Bank of Australia increased interest rates by 25 bp, with main rate to 3.5%, though the expectations for another move already in December declined. Weaker than expected Q3 results were releases today by the UBS.

No important domestic data were scheduled for today. The market players will focus on the foreign markets and essential events abroad. Markets may be influenced by the release of Autumn macroeconomic forecasts of the European Commission. Among the economic indicators to be released abroad there will be factory orders in the US for September. The market expects an increase by 1.0% after a decline by 0.6% a month later. Apart from this, another portion of Q3 earnings reports was scheduled for today, among others BMW, Kraft Foods, Tesco.

## ECONOMIC ANALYSIS UNIT

ul. Marszałkowska 142, 00-061  
email: ekonomia@bzwbk.pl

Maciej Reluga (Chief Economist)  
Piotr Bielski  
Piotr Bujak  
Cezary Chrapek

fax +48 022 586 83 40  
Web site: <http://www.bzwbk.pl>  
+48 (0) 22 586 83 63  
+48 (0) 22 586 83 33  
+48 (0) 22 586 83 41  
+48 (0) 22 586 83 42

## New business queries:

**Treasury - Frank O'Connor**

**Corporate Banking – Rashid Khan**

**Branch/ Mortgages - Carl Coates**

+48 (0) 22 586 8402  
frank.o'connor@bzwbk.pl  
+48 (0) 22 586 8050  
rashid.khan@bzwbk.pl  
+48 (0) 22 586 8059  
carl.coates@bzwbk.pl

**F/X rates (today's opening)**

EURUSD	1.4768	CADPLN	2.6984
USDPLN	2.9130	DKKPLN	0.5780
EURPLN	4.3014	NOKPLN	0.5046
CHFPLN	2.8477	SEKPLN	0.4122
JPYPLN*	3.2321	CZKPLN	0.1627
GBPPLN	4.7650	HUFPLN	1.5420

**Financial market review - 2 Nov 09**
**The zloty trading ranges**

	min	max	open	close	fixing
EURPLN	4.2454	4.2655	4.2558	4.2462	4.2500
USDPLN	2.8612	2.8911	2.8872	2.8648	2.8767
EURUSD	1.4741	1.4836	1.4741	1.4818	-

**T-bonds**

TERM	Yield (%)	Change (bp)	Last auction	Average yield
2Y	4.96	-1	7.10	5.115
5Y	5.64	-2	9.09	5.736
10Y	6.09	-2	20.05	6.335

**IRS rates (Mid)**

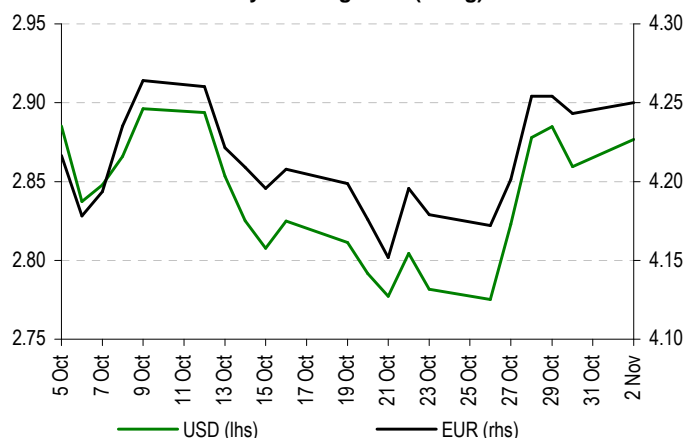
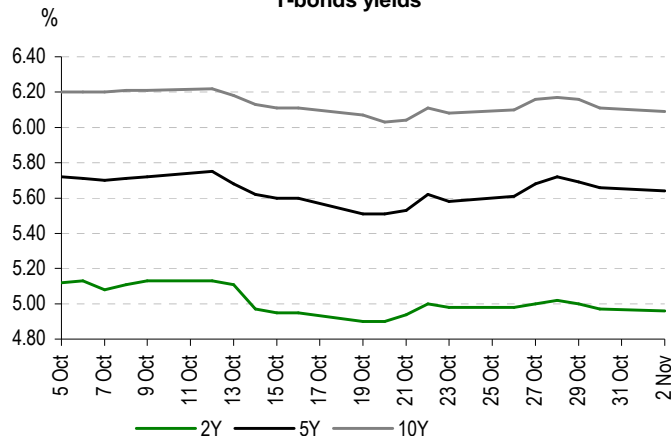
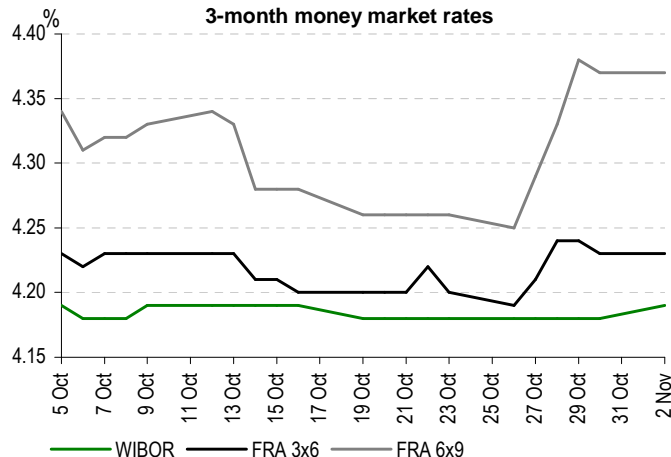
TERM	PL		US		EA	
	%	Change (bp)	%	Change (bp)	%	Change (bp)
1Y	4.42	0	0.60	1	1.25	0
2Y	5.00	0	1.26	4	1.80	2
3Y	5.35	-1	1.84	2	2.22	0
4Y	5.53	1	2.30	2	2.52	1
5Y	5.62	2	2.68	4	2.76	1
8Y	5.65	1	3.34	4	3.27	1
10Y	5.65	0	3.59	4	3.49	1

**WIBOR rates**

TERM	%	Daily change (bp)
O/N	2.86	10
T/N	2.92	-14
SW	3.31	-1
2W	3.41	0
1M	3.52	0
3M	4.19	1
6M	4.31	0
9M	4.41	-1
1Y	4.48	0

**FRA rates (Mid)**

TERM	%	Daily change (bp)
1X2	3.52	-4
3X6	4.23	0
6X9	4.37	0
9X12	4.60	0
3X9	4.40	0
6X12	4.59	-2

**Zloty exchange rate (fixing)**

**T-bonds yields**

**3-month money market rates**


\* for 100 JPY

Source: Reuters

This publication has been prepared by Bank Zachodni WBK S.A. (a member of AIB Group) for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity or an AIB Group entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Treasury Division, Economic Analysis Unit, ul. Marszałkowska 142, 00-061 Warsaw, Poland, phone (+48 22) 586 83 63, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>



Bank Zachodni WBK is a member of Allied Irish Banks Group