

# Eyeopener – Important data today

11 December 2009

- **Rebound of the zloty and local bonds amid improved sentiment in the global markets**
- **Today locally balance of payments for October while abroad key data from the US on retail sales, Michigan index and import prices**

There was a recovery in the financial markets yesterday after two days of risk aversion. The emerging market currencies were strengthening, and equity prices in most stock markets were rising. The zloty similar to other currencies in the region was appreciating against the euro and the dollar, though it did not manage to recover all of its losses from the previous day, and before the end of the session there was another weakening. The EURPLN rate declined to 4.127, though after correction at the end of the session it returned to the level from Wednesday close, i.e. ca. 4.15. The US dollar and Japanese yen weakened during the day as a result of lower risk aversion, especially after the US data increased demand for higher yielding currencies. The EURUSD rate rose to 1.476, after it declined again approaching 1.47.

In the domestic debt market there was also a recovery after earlier correction, and bond yields slightly declined. Meanwhile the IRS and FRA rates rose again. Core debt markets started the day from weakening resulting from moods in the international stock markets and news from the previous day on weak demand at 10Y bond auction in the US. At the close of the European session yields of 10Y Treasuries and Bunds were at 3.46% and 3.16%, respectively.

US macroeconomic data supported global moods, as they confirmed the economic recovery. US trade deficit unexpectedly fell in October to \$32.94bn from \$35.65bn after correction in September, while analysts expected an increase in the deficit to \$36.8bn. This was possible mainly due to rebound in exports (by 2.6%), which was helped by recovery in foreign demand and weakness of the dollar. Import rose a mere 0.4%. New jobless claims in the US last week was higher than forecasted and rose to 474k from 457k a week earlier, though analysts noticed that four week average fell to 473.75k, the lowest level in a year, pointing to a deceleration in employment reduction.

As expected the Bank of England left interest rates unchanged yesterday (main rate at record low level of 0.5%), and maintained the plan of asset purchases worth £200bn. The Swiss National Bank also did not change interest rates (0.25%). At the same time the bank informed that it withdraws corporate bonds purchases, though it will continue interventions in the market in order to stop frank appreciation. The central bank of Iceland took decision to lower the main interest rate by 100 bp, from 11% to 10%, and a Denmark's Nationalbank lowered rate from 1.25% to 1.20%.

Data on industrial production for October in France and Italy turned out to be weaker than forecast, similarly to earlier data from

Germany, showing, respectively, a decrease of 0.8% and an increase of 0.5%MoM, which proved that the recovery in European economies is still fragile and its durability is uncertain.

Elżbieta Chojna-Duch, the PSL candidate for the MPC, potentially important for the results of voting of the new Council, said yesterday that "in the context of strong economic slowdown and the existing risks, too quick reaction of the MPC, i.e., interest rate hikes, would be inappropriate". This confirms that she will not be an advocate of a restrictive monetary policy.

The SLD caucus officially proposed yesterday that its candidate for the MPC member is Krzysztof Jajuga, professor at the University of Economics in Wrocław. Previously, the PiS caucus submitted his candidate, Andrzej Kaźmierczak, professor at the Warsaw School of Economics. Reuters also reported yesterday that the candidates for the MPC from the Senate will be: Leszek Pańłowicz, Andrzej Rzońca and Jan Winiecki. Before the final election of a new Council, it is difficult to make a firm judgement, but the list of candidates who are already known suggests that the next MPC may be more hawkish than the current one.

Thursday's session at the Wall Street ended with gains, influenced mostly by better than expected macroeconomic data releases. Strong growth in stock indices has occurred in Asia today. In addition to the relatively good macro data given yesterday in the US, this was also influenced by better than forecast data on industrial production in China released today (increase in November by 19.2%YoY). As a result, at today's opening the zloty was traded at stronger levels than at yesterday's close.

Today, the NBP will publish data on the balance of payments for October. According to our forecast, current account balance was almost balanced (surplus of €7m), among others due to the small trade deficit and a large surplus of current transfers. Turnover of export and import, which clearly rebounded in September, probably increased again, and their annual growth rates were respectively -12.1% and -22.3%YoY. The market consensus predicts the current account deficit of €190m, and decreases in exports and imports by 12.5% and 22.5%.

Abroad, the main focus will be on the US data on retail sales (14:30 CET), and consumer confidence (15:55 CET), which will be very important guidelines for assessing the strength of consumer demand, and hence also the belief of the markets in the durability of economic revival in the US. The market expects sales growth in November by 0.6%MoM against 1.4% in October and an improvement in the preliminary Michigan consumer sentiment index to 68.5 points in December from 67.4 the previous month. Data on imports prices, published simultaneously with the sales figures, should according to market expectations show an increase of 1% in October after 0.5% rise in September.

## ECONOMIC ANALYSIS

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

EURUSD	1.4732	CADPLN	2.6708
USDPLN	2.8085	DKKPLN	0.5559
EURPLN	4.1362	NOKPLN	0.4896
CHFPLN	2.7367	SEKPLN	0.3969
JPYPLN*	3.1657	CZKPLN	0.1605
GBPPLN	4.5761	HUFPLN	1.5193

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**The zloty trading ranges**

	min	max	open	close	fixing
EURPLN	4.1272	4.1610	4.1480	4.1491	4.1437
USDPLN	2.7959	2.8297	2.8162	2.8194	2.8168
EURUSD	1.4685	1.4761	1.4729	1.4714	-

**T-bonds**

TERM	Yield (%)	Change (bp)	Last auction	Average yield
2Y	4.92	-3	2.12	5.099
5Y	5.65	-7	2.12	5.778
10Y	6.22	-2	20.05	6.335

**IRS rates (Mid)**

TERM	PL		US		EA	
	%	Change (bp)	%	Change (bp)	%	Change (bp)
1Y	4.41	-1	0.53	0	1.27	3
2Y	4.95	0	1.10	2	1.75	4
3Y	5.31	1	1.66	2	2.19	4
4Y	5.50	0	2.14	3	2.43	4
5Y	5.60	0	2.53	4	2.66	3
8Y	5.63	1	3.28	4	3.22	3
10Y	5.63	0	3.59	5	3.45	2

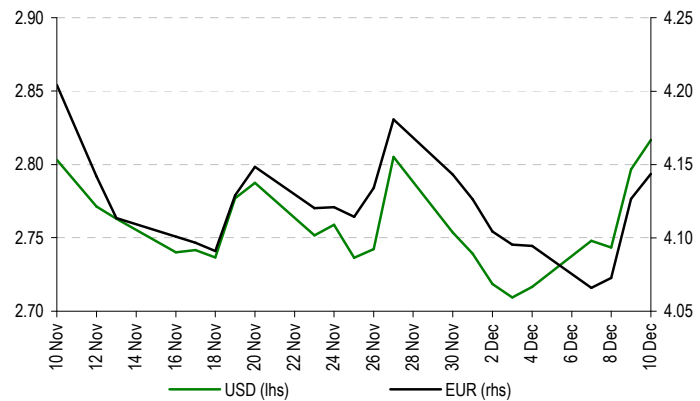
**WIBOR rates**

TERM	%	Daily change (bp)
O/N	2.29	1
T/N	2.42	13
SW	3.12	1
2W	3.30	1
1M	3.61	2
3M	4.21	1
6M	4.29	0
9M	4.41	1
1Y	4.48	0

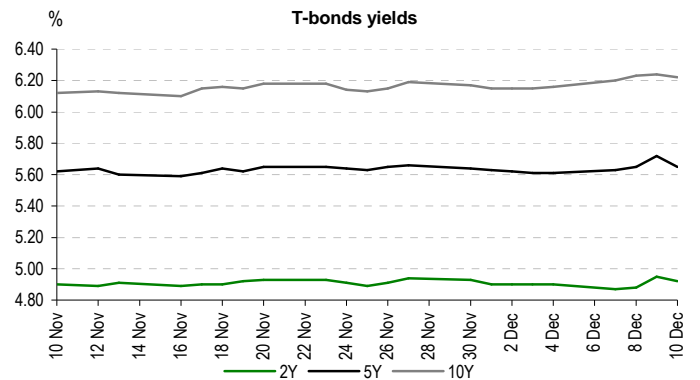
**FRA rates (Mid)**

TERM	%	Daily change (bp)
1X2	3.45	-13
3X6	4.25	1
6X9	4.40	5
9X12	4.59	1
3X9	4.39	0
6X12	4.57	6

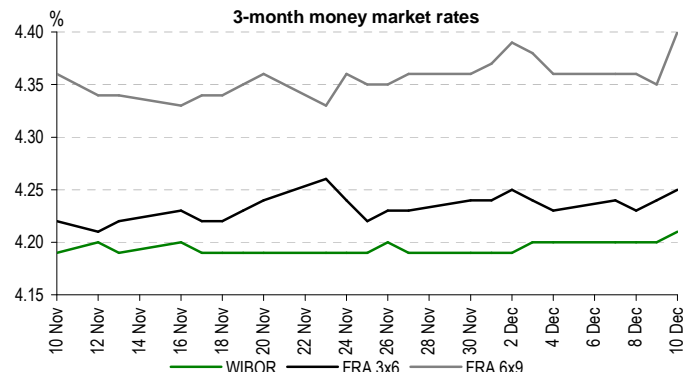
**Zloty exchange rate (fixing)**



**T-bonds yields**



**3-month money market rates**



\* for 100 JPY

Source: Reuters

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