Bank Zachodni WBK

Eyeopener – GDP data today

30 August 2010

- **Zloty much stronger after US data, testing 3.96**
- **Yields higher in core debt markets amid better outlook for US economic growth**
- **Today, Polish Q2 GDP, US personal income and spending**

During the European trading hours the investors' activity was low, as important data from the US had been expected, including second revision of the GDP growth in the Q2. Latest set of poor data triggered some worries over the world's largest economy. Additionally, in the Friday's afternoon the Fed governor, Ben Bernanke, was due to give a speech on the annual central bankers' conference and the market was awaiting what outlook for the US and global economy would be presented. The data from the US were better than expected, as the GDP growth reached 1.6% QoQ (annualised) versus market consensus at 1.4% and 2.4% initially published in July. The core PCE index (perceived by the Fed as the best measure of the inflationary pressure in the US) advanced in the Q2 by 1.1% QoQ, just as it was expected. After these data the zloty suddenly advanced, the EURUSD dropped temporarily and started to rise some time later. At the end of the day the final reading of the Michigan consumer confidence index was published. The index declined in August to 68.9pts versus market consensus at 69.8pts, but that was still above 67.8pts recorded a month earlier. The market reaction to all these data was limited, as the Bernanke' speech had been awaited. The Fed's governor said at the conference in Jackson Hole, that the pace of growth of the US economy abated far more than it has been anticipated. He added however, that if there is such need, the Fed is on duty to take proper steps to support the economic growth. The comments sustained the stock prices upward trend and the decline of the risk aversion.

During the European session, EURPLN dropped to 3.975 and rebounded later to 3.99. In response to better-than-expected US data and the speech of the Fed's President the rate fell to around 3.96 - the level of support indicated in our weekly report on Friday. The EURPLN could not breach this zone persistently and remained slightly above 3.96 this morning. Appreciation of the zloty, which we anticipated for this week, came sooner than we expected. In our opinion, the rate at today's session will vary within the limits of 3.955-3.975 with a trend of slight appreciation.

EURUSD during the first hours of trade fluctuated in a narrow range of 1.27 - 1.273. After the US data and Ben Bernanke's comments the rate began to rise. We recorded confirmed breaching of 1.272, and this morning the rate remained around 1.275. At today's session, we expect further increases and testing the level of 1.28.

On the domestic debt market on Friday we recorded slight increases in yields, mainly at the long end, which can be linked with increases in yields of 10Y Bunds.

After better-than-expected US data on GDP growth, yields on the core debt markets increased sharply. At the end of the day, yields of the 10Y Bunds and Treasuries amounted to 2.16% and 2.57%. Further improvement of risk appetite and gains in stock markets in the US and Asia, resulted in further rise in core yields, to 2.21% and 2.62% this morning, correspondingly.

At the special meeting today the Bank of Japan decided to expand the loan program for the banks, so as to support the weakening economic growth and trigger some yen depreciation, after the latest appreciation of the currency put severe pressure on Japanese exporters. The decision supported the upward trend of stock prices and further decline of the risk aversion.

This week there will be several important domestic publications. Today, at 10:00 CET the GDP data for Q2 will be released. We predict that GDP growth slightly accelerated amid stabilisation of private consumption growth and rebound of fixed investment growth rate from negative territory in Q1. Net export's contribution should change from positive to negative. A risk factor for fixed investment in Q2 are the stats office data on investments in big companies, which showed a pronounced decline in H1, which was deeper than a drop in fixed investment in the Q1. However, if fixed investment prove to have been weaker in Q2, it would be most likely offset by better net exports and total effect for GDP should be neutral. Later in the week, an important hint on performance of the Polish economy in Q3 will be PMI index and FinMin's CPI estimate (Wednesday). The zloty and local bonds should remain mainly under impact of changes in sentiment on the global markets. This in turn will depend on plethora of crucial data due for release in the euro zone and the US this week. Also, investors will focus on ECB meeting on Thursday.

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F/X rates (today's opening)

EURUSD	1.2743	CADPLN	2.9645
USDPLN	3.1107	DKKPLN	0.5323
EURPLN	3.9633	NOKPLN	0.4983
CHFPLN	3.0224	SEKPLN	0.4223
JPYPLN*	3.6617	CZKPLN	0.1603
GBPPLN	4.8349	HUFPLN*	1.4001

*for 100JPY/100HUF

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The zloty trading ranges

	min	max	open	close	fixing
EURPLN	3.9767	3.9975	3.9922	3.9800	3.9810
USDPLN	3.1202	3.1533	3.1412	3.1262	3.1304
EURUSD	1.2663	1.2744	1.2704	1.2738	-

T-bonds

TERM	Yield (%)	Change (bp)	Last auction	Average yield
2L	4.60	4	7.07	4.74
5L	5.12	5	12.05	5.14
10L	5.35	2	16.06	5.79

IRS rates (Mid)

TERM	PL		US		EA	
	%	Change (bp)	%	Change (bp)	%	Change (bp)
1L	4.13	-2	0.46	0	1.18	-1
2L	4.51	2	0.67	0	1.26	-2
3L	4.71	2	0.96	-7	1.40	-1
4L	4.81	2	1.27	-2	1.56	-3
5L	4.86	0	1.56	-2	1.73	-4
8L	4.88	-1	2.22	-4	2.15	-4
10L	4.85	1	2.47	-1	2.34	-3

WIBOR rates

TERM	%	Daily change (bp)
O/N	2.54	22
T/N	2.73	9
SW	3.41	4
2W	3.46	1
1M	3.60	0
3M	3.81	0
6M	4.00	0
9M	4.20	0
1Y	4.25	1

FRA rates (Mid)

TERM	%	Daily change (bp)
1X2	3.63	1
3X6	3.97	1
6X9	4.19	1
9X12	4.39	1
3X9	4.15	1
6X12	4.35	-2

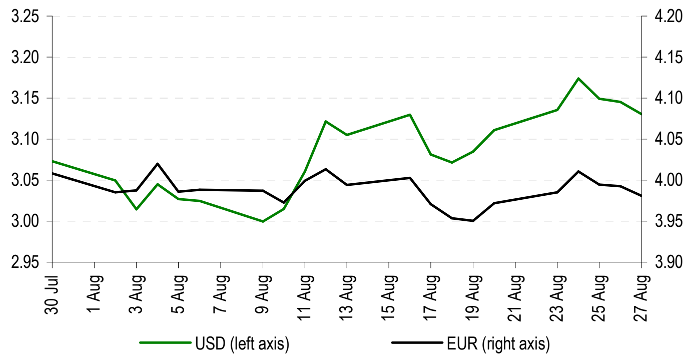
Measures of fiscal risk

Country	CDS 5Y		Spread 10Y*	
	Value	Change (bp)	Value	Change (bp)
Poland	149.3	3	3.23	6
Czech Republic	93.5	2	1.23	2
Hungary	352.3	7	5.38	19
Greece	956.8	3	9.45	5
Spain	243.8	4	1.90	5
Italy	221.1	0	1.64	2
Portugal	329.7	15	3.39	9
Germany	42.9	-1	--	--

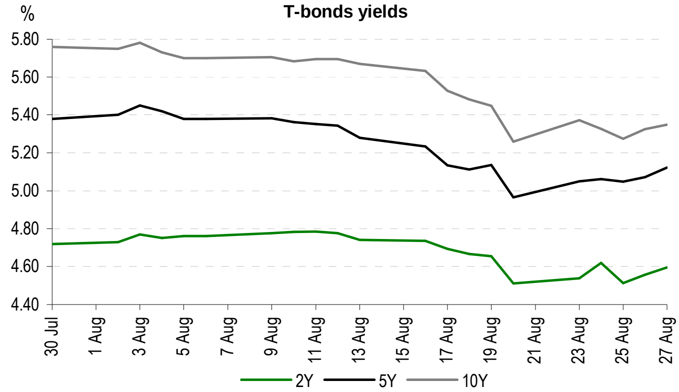
* 10Y treasury bonds over 10Y Bunds

Source: Reuters

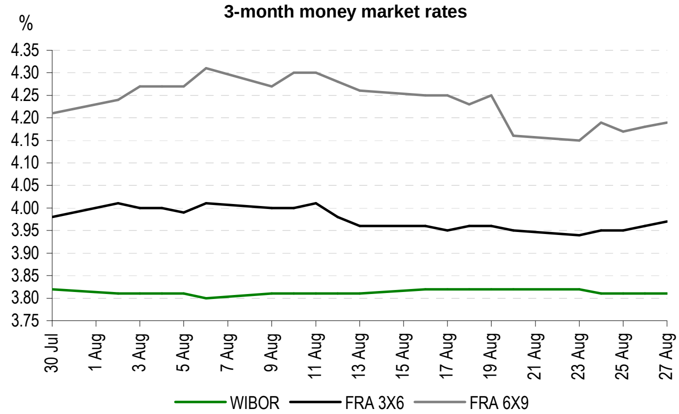
Zloty exchange rate (fixing)



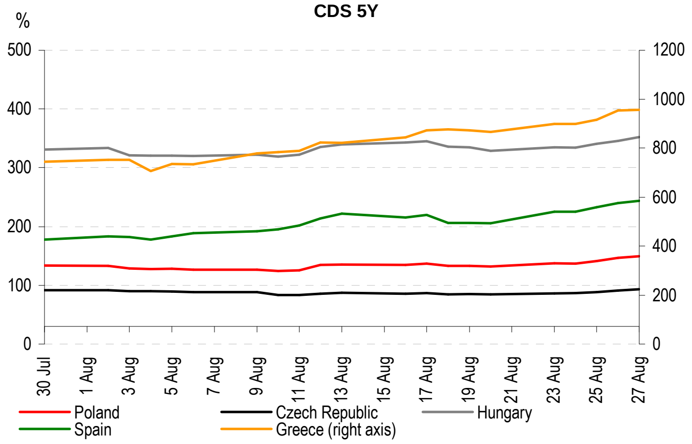
T-bonds yields



3-month money market rates



CDS 5Y



Economic calendar

Time CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
		MONDAY (23 August)						
10:00	**PL**	**GDP**	**Q2**	**%YoY**	**3.2**	**3.1**	**-**	**3.0**
10:00	**PL**	**Investments**	**Q2**	**%YoY**	**0.4**	**1.0**	**-**	**-12.4**
10:00	**PL**	**Consumption**	**Q2**	**%YoY**	**2.1**	**2.2**	**-**	**2.2**
11:00	**PL**	**Tender of 52-week T-bills worth PLN0.5-0.7bn**						
11:00	EZ	Business climate	Aug	pts	101.7	-	-	101.3
14:30	US	Core PCE	Jul	%MoM	0.1	-	-	0.0
14:30	US	Personal income	Jul	%MoM	0.3	-	-	0.0
14:30	US	Personal spending	Jul	%MoM	0.3	-	-	0.0
		TUESDAY (24 August)						
11:00	EZ	Unemployment rate	Jul	%		-	-	
11:00	EZ	Flash HICP	Aug	%YoY	1.6	-	-	1.7
15:00	US	S&P/Case-Shiller index	Jun	pts	0.0	-	-	0.5
15:45	US	Chicago PMI	Aug	pts	57.0	-	-	62.3
16:00	US	Consumer confidence	Aug	pts	51.0	-	-	50.4
		WEDNESDAY (25 August)						
9:00	**PL**	**PMI manufacturing**	**Aug**	**pts**	**52.2**	**52.1**	**-**	**52.1**
9:58	EZ	PMI manufacturing	Aug	pts	55.0	-	-	55.0
11:00	**PL**	**Bond auction**						
14:15	US	ADP report	Aug	k	18.0	-	-	42.0
16:00	US	ISM manufacturing	Aug	pts	53.0	-	-	55.5
		THURSDAY (26 August)						
11:00	EZ	PKB	Q2	%QoQ	1.0	-	-	1.0
11:00	EZ	PPI	Jul	%YoY		-	-	
13:45	EZ	ECB decision		%	1.0	-	-	1.0
14:30	US	Labour productivity	Q2	%QoQ	-1.8	-	-	0.9
14:30	US	Jobless claims	week	k	473.0	-	-	473.0
14:30	US	Factory orders	Aug	%MoM	0.4	-	-	-1.2
16:00	US	Pending home sales	Jul	%MoM	0.2	-	-	-2.6
		FRIDAY (27 August)						
9:58	EZ	PMI services	Aug	pts	55.6	-	-	55.6
11:00	EZ	Retail sales	Jul	%YoY	0.6	-	-	0.4
14:30	US	Non-farm payrolls	Aug	k	-100.0	-	-	-131.0
14:30	US	Unemployment rate	Aug	%	9.6	-	-	9.5
16:00	US	ISM services	Aug	pts	53.5	-	-	54.3

Source: BZ WBK, Parkiet, Reuters

* in case of the revision, the data is updated

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