

Eyeopener – New important data from the USA

27 May 2011

- **Market sentiment quite good despite worse than expected data from the US**
- **Zloty getting weaker, EURUSD quite volatile**
- **Domestic debt market still weak, lower yields in core debt markets**
- **Today, important data on US consumer sector**

The Thursday's session in Europe passed in moderately positive mood. Most market indices rose while awaiting US figures, which were to confirm that the GDP increased in 2011Q1 stronger than indicated by flash estimates. In spite of recent downgrade of Italian outlook by the S&P agency, during yesterday's auction, Italy has sold 6M T-bills and 2Y bonds worth in total €10bn amid lower yields and higher ratio of demand to supply than prior to this decision. The US figures were worse than expected. Contrary to the forecasts, the flash estimate of GDP growth at 1.8%QoQ (annualised) was not changed. The GDP data have shown that the positive contribution of private consumption was revised downward, which was offset by the increase in investment spending. The data on initial jobless claims disappointed as well, increasing instead of predicted decrease. After the release of these data the European indices and US futures recorded losses. However, in the later part of the American session the stocks rebounded upwards, ending the day in black. Moderate gains were recorded also by most Asian indices, as the positive results and forecasts of companies' financial results outweighed the poor macro data. The investors' sentiment was also supported by the message from G8 summit that the global economy is strengthening. After release of US figures the EURCHF rate set the third record low this week – 1.2200. Moreover, the downward trend did not halt and this morning the rate dropped to 1.2160. The euro was negatively affected by comment of Eurogroup president, Jean-Claude Juncker, which strengthened concerns about Greek debt crisis.

The EURUSD rate was testing the resistance at 1.419 due to successful start of European session. This attempt failed and the rate dropped below support at 1.406 for a while. In the following hours the rate levelled off, but, due to deterioration of market sentiment after the US data, the rate broke through the support and the dollar began to gain against the euro. After a rapid rally to 1.4066 a similarly rapid rebound occurred and this morning the EURUSD rate

was for a moment at 1.4278. In our view, another correction is due to happen before another upward wave, which can push the rate to 1.419 if it breaks the first support at 1.423. US figures may be of high importance for trading.

EURPLN fell shortly after opening of the yesterday's session to 3.935, but then a quick rebound took place and until the end of the domestic session the zloty was losing versus the euro. USDPLN was in a dynamic upward trend as well. The sudden drop in EURUSD at the end of the European session pushed USDPLN from 2.80 to nearly 2.83. Briefly after close of the domestic session EURPLN rose to nearly 3.99 and although today in the morning it was hovering below 3.98. The last days showed that even relatively positive moods in the stock markets do not necessarily have to strengthen the zloty. EURPLN rebounded from the upward trend line formed in the last two days and at least in the first part of the session the zloty may be under pressure, even despite positive opening at the European stock markets.

On the domestic fixed income market there was continuation of the weakening. The source of pressure put on Polish bonds is still uncertainty prevailing on the European debt market. The activity of sellers was most visible at the end of the domestic session when also zloty started to depreciate more visibly. The FinMin announced it sold through a private placement 15Y registered bonds worth €460m. The securities were priced at 165.7bps above mid-swaps what means that yield reached 5.361%. It was added that buyers were "investors from Germany representing pension funds and insurance companies".

On the core fixed income markets yields started the day with slight increase amid pretty good opening on stock exchanges. After weaker than expected data from the US yields plunged amid higher demand for safe assets. At the end of the day yields of the 10Y Bunds and Treasuries reached 3.0% and 3.09% respectively.

Today market will await for publication of set of important data from the US, i.e. on consumer's sector.

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F/X rates (today's opening)

EURUSD	1.4242	CADPLN	2.8614
USDPLN	2.7950	DKKPLN	0.5338
EURPLN	3.9811	NOKPLN	0.5123
CHFPLN	3.2585	SEKPLN	0.4481
JPYPLN*	3.4502	CZKPLN	0.1617
GBPPLN	4.5944	HUFPLN*	1.4786

*for 100JPY/100HUF

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The zloty trading ranges

	min	max	open	close	fixing
EURPLN	3.9529	3.9874	3.9570	3.9854	3.9685
USDPLN	2.7845	2.8221	2.7917	2.8264	2.8033
EURUSD	1.4113	1.4206	1.4174	1.4096	-

T-bonds

Bond (term)	Yield (%)	Change (bp)	Last auction	Average yield
OK0713 (2Y)	5.05	2	12.05	5.112
PS0416 (5Y)	5.63	1	18.05	5.614
DS1020 (10Y)	6.09	2	12.01	6.215

IRS rates (Mid)

TERM	PL	US	EA
	%	%	%
	Change (bp)	Change (bp)	Change (bp)
1L	4.98	0.37	1.96
2L	5.23	0.71	2.19
3L	5.39	1.15	2.46
4L	5.49	1.59	2.65
5L	5.53	1.99	2.85
8L	5.56	2.85	3.20
10L	5.54	3.20	3.38

WIBOR rates

TERM	%	Daily change (bp)
O/N	3.15	1
T/N	3.49	4
SW	4.23	1
2W	4.26	0
1M	4.35	0
3M	4.45	0
6M	4.61	-1
9M	4.70	0
1Y	4.76	0

FRA rates (Mid)

TERM	%	Daily change (bp)
1x2	4.45	1
1x4	4.62	3
3x6	4.77	3
6x9	5.05	0
9x12	5.21	2
3x9	4.96	3
6X12	5.18	1

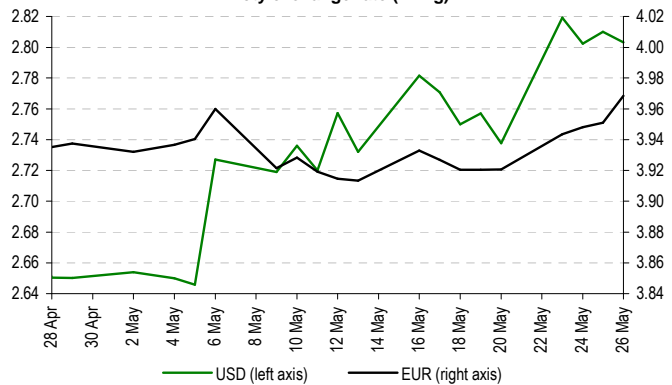
Measures of fiscal risk

Country	CDS 5Y		Spread 10Y*	
	Value	Change (bp)	Value	Change (bp)
Poland	143.7	1	3.07	2
Czech Republic	77.5	0	0.78	0
Hungary	258.3	2	4.30	5
Greece	1628.1	-71	13.61	-36
Spain	255.8	-11	2.27	-10
Italy	159.4	-7	1.71	-1
Portugal	684.9	2	6.84	-2
Ireland	682.7	-2	8.04	-22
Germany	39.8	0	--	--

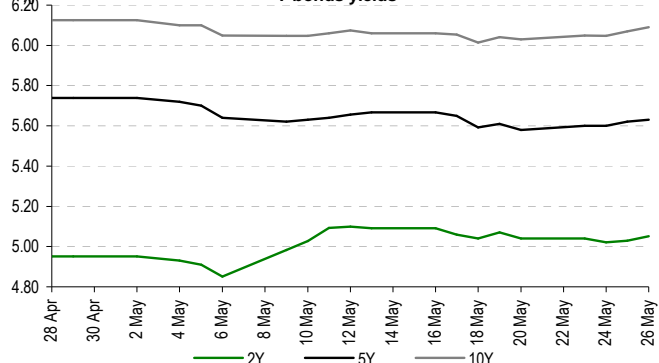
* 10Y treasury bonds over 10Y Bunds

Source: Reuters

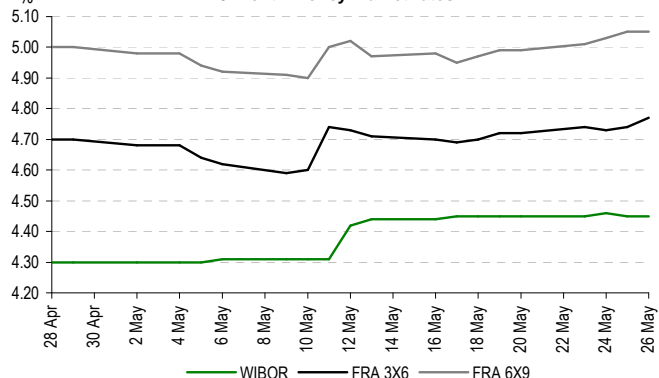
Zloty exchange rate (fixing)



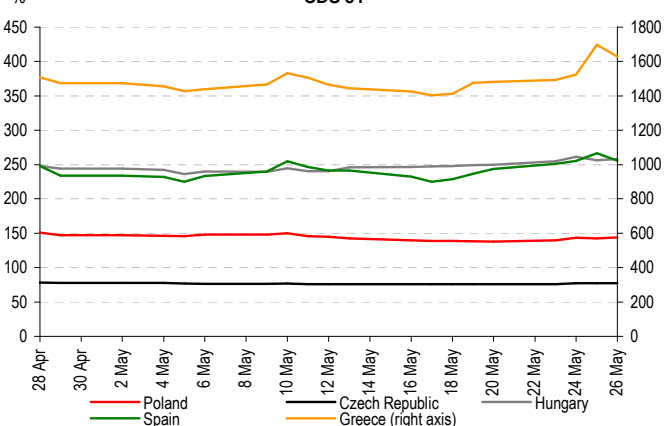
T-bonds yields



3-month money market rates



CDS 5Y



Economic calendar

Time CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	BZWBK		
		MONDAY (23 May)						
4:30	CN	Flash PMI – manufacturing	May	pts	-	-	51.1	51.8
9:28	DE	Flash PMI – manufacturing	May	pts	61.1	-	58.2	62.0
9:58	EZ	Flash PMI – manufacturing	May	pts	57.5	-	54.8	58.0
11:00	PL	Tender of 44-week T-bills worth PLN0.5-1.0bn						
		TUESDAY (24 May)						
10:00	DE	Ifo index	May	pts	114.0	-	114.2	114.2
11:00	EZ	Industrial orders	Mar	%MoM	-1.3	-	-1.8	0.5
16:00	US	New home sales	Apr	k	300	-	323	301
		WEDNESDAY (25 May)						
8:00	DE	GfK index	May	pts	5.6	-	5.5	5.7
10:00	PL	Retail sales	Apr	%YoY	14.9	18.0	18.6	9.4
10:00	PL	Unemployment rate	Apr	%YoY	12.6	12.5	12.6	13.1
10:30	GB	GDP revision	Q1	%QoQ	0.5	-	0.5	-0.5
11:00	PL	Auction of road bonds IPS1014 i IDS1018 worth PLN1.0-2.5bn						
14:30	US	Durable goods orders	Apr	%MoM	-2.2	-	-3.6	4.4
		THURSDAY (26 May)						
14:30	US	Preliminary GDP	Q1	%QoQ	2.1	-	1.8	3.1
14:30	US	Initial jobless claims	week	k	400	-	424	414
		FRIDAY (27 May)						
11:00	EZ	Economic sentiment index	May	pts	105.7	-		106.2
14:30	US	Consumer spending	Apr	%MoM	0.5	-		0.6
14:30	US	Personal income	Apr	%MoM	0.4	-		0.5
14:30	US	Core PCE	Apr	%MoM	0.2	-		0.1
15:55	US	Michigan index	May	pts	72.4	-		69.8
16:00	US	Pending home sales	Apr	%MoM	-1.0	-		5.1

Source: BZ WBK, Parkiet, Reuters

* in case of the revision, the data is updated

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