



Poland Daily

HEADLINES...

POL: In April industrial output increased by 9.3% yoy and fell by 6.8% mom. Seasonally adjusted industrial production rose by 5.9% yoy in April. The highest annual growth in output was reported in production of coke and oil refining (up 24.6% yoy), machinery and equipment (up 17.0% yoy), furniture (up 14.9% yoy), paper (up 14.3% yoy), products of other non-metal raw materials (up 12.7% yoy), products of metal (up 12.6% yoy) and electric appliances (up. 11.3% yoy). A decline in output took place in three branches of industry, including production of pharmaceuticals (down 12.4% yoy). In April this year output growth was above trend, supported by exporting sectors and sectors producing investment goods.

POL: In April construction output was 1.0% up mom and increased by 19.7% yoy. In April robust activity was reported in construction of structures and buildings (up 36.0% yoy) and construction of land and water engineering objects (up 22.2% yoy).

POL: In April producer prices were 0.3% up mom and 1.1% up yoy. The strongest rise in prices was reported in coke production and oil refining (up 5.5% mom), tobacco products (up 0.7% mom) and metals, computers, electronic and optical products and paper (each by 0.4% mom).

POL: In the end of March 2018 debt of State Treasury (ST) was PLN958.1bn and was 0.6% up mom and increased by 3.2% since the beginning of the year. In March residents held 49.9% of ST debt worth PLN477.8bn, of which PLN270.9bn (28,3%) was held by domestic banks while non-residents held 50.1% of total ST debt worth PLBN480.3bn.

THE DAY AHEAD...

POL: business conditions (May)

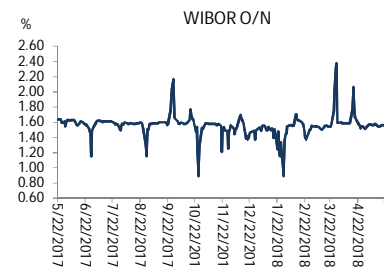
HUN: NBH decision

USA: Richmond Fed Manufacturing Index (May)

TODAY'S FOCUS:

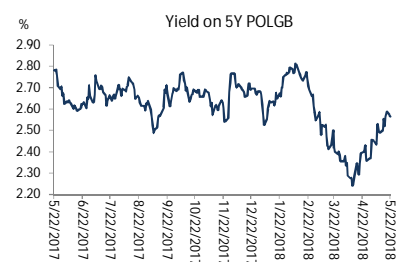
Today economic calendar contains domestic business conditions indices for May and NBH decision (no change in monetary policy settings expected).

Figure 1: WIBOR O/N



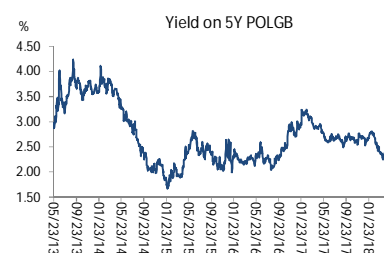
Source: Bloomberg

Figure 2: Yield on 5Y POLGB



Source: Bloomberg

Figure 3: Yield on 5Y POLGB – long term trend



Source: Bloomberg

DIARY (Today)

| Country | GMT | Release | DB Expected | Actual | Consensus |
|---------|-------|--|-------------|--------|-----------|
| POL | 8:00 | Business conditions (May) | | | |
| HUN | 12:00 | NBH decision | 0.90% | | 0.90% |
| USA | 14:00 | Richmond Fed Manufacturing Index (May) | 10 | | 10 |

Source: Deutsche Bank Estimates and Bloomberg Finance LP



Foreign Exchange

Today in the morning the zloty was 1.0% firmer versus the USD and was 0.6% firmer versus the EUR compared to the last NBP fixing. The zloty firmed on profit taking on short PLN positions triggered by stabilisation of EUR/USD. Today the zloty should be moving within a range of PLN4.2600-4.2850 per EUR.

The EUR firmed by 0.4% versus the USD as market participants liquidated EUR-hedges as a candidate for PM in populist coalition government in Italy was found. This selection may be vetoed by Italian President however.

Fixed Income

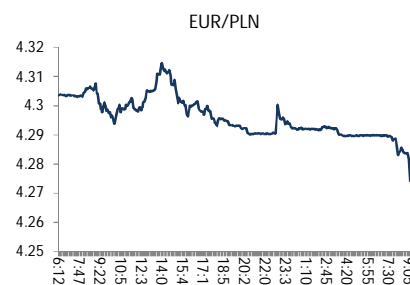
The yields on Poland's government bonds were 2-3 bps up in medium and long segments of the curve.

Interest Rates

Today the O/N bid rate should be within a range of 1.30%-1.50%. Swap rates were marginally up in 5-year and 10-year sectors.

Equities

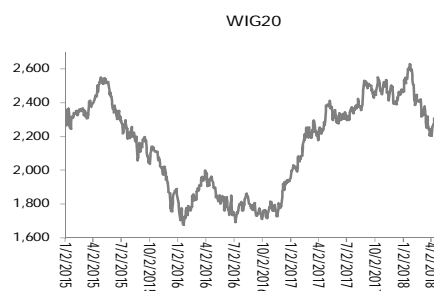
Yesterday the Dow Jones index closed 1.21% up. Today in the morning the FTSE index was 0.08% up, the CAC index rose by 0.05% and the DAX index was 0.04% up. The Nikkei index closed 0.18% down. Today in the morning the WIG20 index was 0.53% down and the WIG index was 0.39% down.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Polish local market data 22 May 2018 (8:30 GMT)

| Currency (mid) | Today | Last fixing | Change | USD/PLN | | | EUR/PLN | | |
|----------------|--------------|-------------|--------|----------|-----------------|--------------|---------------|-----------------|--------------|
| | | | | forwards | bid | offer | forwards | bid | offer |
| USD/PLN | 3.6261 | 3.6615 | -1.0% | SPOT | 3.6255 | 3.6266 | SPOT | 4.2731 | 4.2742 |
| EUR/PLN | 4.2737 | 4.2991 | -0.6% | S/N | 3.6255 | 3.6266 | S/N | 4.2733 | 4.2745 |
| GBP/PLN | 4.8727 | 4.9071 | -0.7% | 1W | 3.6252 | 3.6264 | 1W | 4.2749 | 4.2762 |
| CHF/PLN | 3.6350 | 3.6641 | -0.8% | 1M | 3.6241 | 3.6253 | 1M | 4.2810 | 4.2824 |
| SEK/PLN | 0.4180 | 0.4183 | -0.1% | 2M | 3.6218 | 3.6232 | 2M | 4.2887 | 4.2902 |
| NOK/PLN | 0.4501 | 0.4518 | -0.4% | 3M | 3.6195 | 3.6210 | 3M | 4.2960 | 4.2977 |
| DKK/PLN | 0.5739 | 0.5773 | -0.6% | 6M | 3.6113 | 3.6133 | 6M | 4.3188 | 4.3212 |
| CAD/PLN | 2.8403 | 2.8468 | -0.2% | 12M | 3.5909 | 3.5942 | 12M | 4.3639 | 4.3689 |
| CZK/PLN | 0.1667 | 0.1676 | -0.6% | | | | | | |
| | | | | WIBOR | | | T-bills (mid) | | |
| | | | | | Last fixing | 1-day change | | Today's opening | 1-day change |
| EUR/USD | 1.1786 | 1.1741 | 0.4% | O/N | 1.56 % | bp | | | |
| USD/JPY | 111.15 | 111.31 | -0.1% | 1W | 1.56 % | bp | | | |
| GBP/USD | 1.3438 | 1.3402 | 0.3% | 1M | 1.64 % | bp | 1M | | |
| USD/CHF | 0.9976 | 0.9993 | -0.2% | 3M | 1.70 % | bp | 3M | | bp |
| EUR/JPY | 131.00 | 130.69 | 0.2% | 6M | 1.78 % | bp | 6M | | bp |
| EUR/GBP | 0.8771 | 0.8761 | 0.1% | 9M | 1.79 % | bp | 9M | | bp |
| USD/CAD | 1.2768 | 1.2862 | -0.7% | 12M | 1.82 % | bp | 12M | | bp |
| | | | | FRAs | | | T-Bonds (mid) | | |
| | Last closing | | | | Today's opening | 1-day change | | Today's opening | 1-day change |
| 1X2 | 1.65 | 1X7 | 1.78 | 2Y | 1.95 % | bp | 2Y | 1.61 % | 0 bp |
| 2X3 | 1.65 | 3X9 | 1.80 | 5Y | 2.55 % | bp | 5Y | 2.56 % | 3 bp |
| 1X4 | 1.70 | 6X12 | 1.83 | 10Y | 3.08 % | bp | 10Y | 3.31 % | 2 bp |
| 3X6 | 1.71 | | | 5Y-2Y | 60 bp | bp | | | |
| 6X9 | 1.75 | | | 10Y-5Y | 54 bp | bp | | | |
| 9X12 | 1.81 | | | 10Y-2Y | 113 bp | bp | | | |



Appendix 1

Important Disclosures

Additional information available upon request

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