



Poland Daily

HEADLINES...

POL: The MPC, as expected, didn't change monetary policy settings, keeping the main reference rate at 1.50%. The communique after the meeting was very similar to that of the previous month. The MPC again underlined low internal inflationary pressure in many countries abroad and no impact, as for now, of rising wages on consumer inflation and low core inflation in Poland. The MPC said that GDP growth in Q1 2018 was close to that of Q4 2017 with rising consumption and recovery in investments. The Council pointed to significant positive contribution of inventory investments to GDP growth in Q1 but regarded it as transitory factor that would not impact GDP much in coming quarters. The MPC added that contribution of net exports to GDP growth was negative. The MPC expects GDP growth to remain solid in the coming years, despite expected moderately slower growth in the years ahead. The Council stated that inflation in the horizon of projection would remain within target and thus the current level of interest rates was appropriate. At press conference NBP President Glapinski reiterated that in his view interest rates would remain unchanged till 2020. The MPC maintained its guidance for no change in interest rates until the end of 2019. NBP President said that recent PLN weakening had only marginal impact on consumer inflation in Poland and added he expected lowering of inflation path in July's NBP projection. In our view, given lack of domestic inflationary pressure, the MPC will be paying more attention to inflation abroad, in the euro-zone in particular. As a consequence the MPC is likely to be more responsive to changes in monetary policy of the ECB that are expected in the second half of 2019.

USA: Trade deficit in April was USD-46.2bn, narrower than expected.

CZK: Trade surplus narrowed to CZK15.8bn in April from CZK18.6bn in March. Industrial output rose 5.5% yoy in April, below market.

HUN: in April industrial production was 0.2% up mom and rose 2.9% yoy, below market.

THE DAY AHEAD...

POL: Official reserve assets (May)

DEU: Factory orders (Apr)

EMU: GDP (Q1)

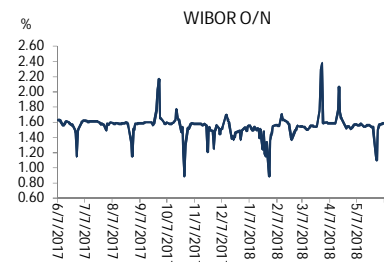
HUN: Budget balance (May)

USA: Initial jobless claims

TODAY'S FOCUS:

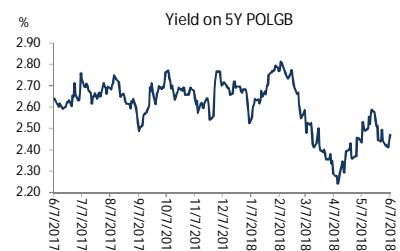
Today market participants will focus on German factory orders for April and on final data on euro-zone Q1 GDP.

Figure 1: WIBOR O/N



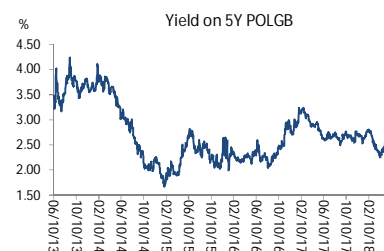
Source: Bloomberg

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
DEU	6:00	Factory orders (Apr)		-2.5% (-0.1%)	0.8% (3.6%)
EMU	9:00	GDP (Q1)	0.4% (2.5%)		0.4% (2.5%)
POL	12:00	Official reserve assets (May)			
USA	12:30	Initial jobless claims	220k		220k

Source: Deutsche Bank Estimates and Bloomberg Finance LP



Appendix 1

Important Disclosures

Additional information available upon request

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