



Poland Daily

HEADLINES...

POL: In May inflation amounted to 0.2% mom and 1.7% yoy. In May the largest declines in prices were reported in recreation and culture (down 1.0% mom), footwear and clothing (-0.4% mom), other goods and services (-0.5% mom) and food (-0.3% mom). The highest rise in prices occurred in transport (+2.6% mom), hotels and restaurants (+ 0,5% mom), healthcare (+0,5%mom), communication (+0.3% m om). In May hike in fuel prices added 0.29 percentage points to monthly inflation while telecommunication prices added 0.2 p.p. Seasonal decline in food prices and a drop in prices of tourist services were unable to counterbalance former factors, and monthly inflation was slightly above initial estimate.

POL: MPC member Gatnar said that pre-emptive rate hike would be reasonable before slowdown in economic growth. In his opinion, open question remains, when to hike, as it should be done in advance.

EMU: The European Central Bank, as expected, announced the end of assets purchasing programme until the end of 2018. In the period of October – December 2018 the pace of assets purchases would be halved to EUR15bn per month. Moreover, the ECB will be reinvesting maturing assets as long as the need be. Huge surprise to market participants proved asymmetric and unconditional guidance for steady rates until summer of 2019. It means that for the ECB it would be much easier to extend a period of steady rates than to shorten it, if macro condition change.

THE DAY AHEAD...

POL: Core inflation (May)

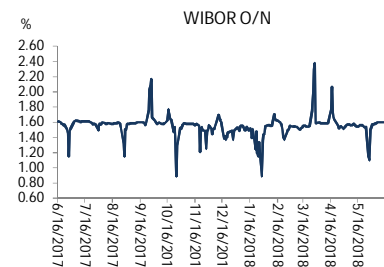
EMU: Core inflation (May), inflation (May)

USA: Industrial production (May), consumer confidence (Jun)

TODAY'S FOCUS:

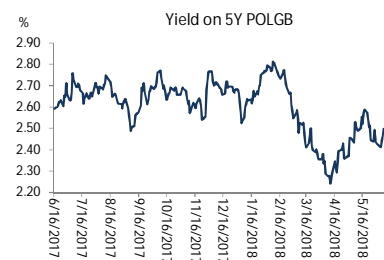
Today market participants will focus on CPI and core CPI from the euro-zone and on US industrial production. Poland's core inflation will have limited importance.

Figure 1: WIBOR O/N



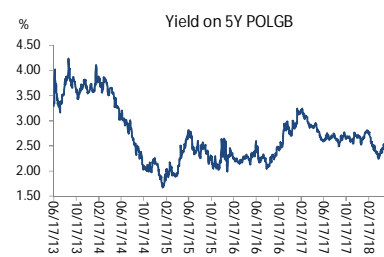
Source: Bloomberg

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
EMU	9:00	Trade balance (Apr)			20 mld EUR
EMU	9:00	Inflation (May)	0.5% (1.9%)		0.5% (1.9%)
EMU	9:00	Core inflation (May)	(1.1%)		(1.1%)
POL	12:00	Core inflation (May)	-0.1% (0.6%)		0.0% (0.6%)
USA	13:15	Industrial production (May)	0.5%		0.2%
USA	14:00	Consumer confidence (June)	98.0		98.5

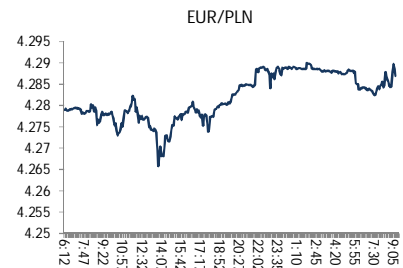
Source: Deutsche Bank Estimates and Bloomberg Finance LP



Foreign Exchange

Today in the morning the zloty was 2.7% weaker versus the USD and was 0.2% weaker versus the EUR compared to the last NBP fixing. A sharp decline in PLN versus the USD stemmed from strong growth of the USD after a dovish communique from the ECB. The zloty initially firmed versus the EUR but stronger USD put pressure on EM currencies what resulted in moderate weakening of the PLN versus EUR. Today the zloty should be moving within a range of PLN4.2700-4.3000 per EUR.

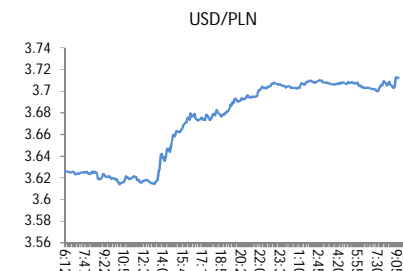
The EUR sharply weakened by 2.3% versus the USD as the ECB announced unconditional and asymmetric guidance for steady interest rates what means it would be much easier to delay rate hike in euro-zone than to bring it forward.



Source: Bloomberg

Fixed Income

The yields on Poland's government bonds 3-4 bps down in medium and long segments of the curve following a drop in yields in core European government bonds. At switching auction today the Finance Ministry will be selling bonds series OK0720, PS0123, WZ0524 and WZ0528 and will be buying bonds series PS0718, OK1018 and WZ0119.



Source: Bloomberg

Interest Rates

Today the O/N bid rate should be within a range of 1,30%-1,50%. Swap rates were 3-4 bps down in medium and long part of the curve.

Equities

Yesterday the Dow Jones index closed 0.10% down. Today in the morning the FTSE index was 0.06% up, the CAC index rose by 0.35% and the DAX index was 0.23% up. The Nikkei index closed 0.50% up. Today in the morning the WIG20 index was 0.10% up and the WIG index was 0.14% up.



Source: Bloomberg

Polish local market data 15 June 2018 (7:00 GMT)

Currency (mid)	Today	Last fixing	Change	USD/PLN forwards	bid	offer	EUR/PLN forwards	bid	offer
USD/PLN	3.7115	3.6155	2.7%	SPOT	3.7107	3.7122	SPOT	4.2867	4.2881
EUR/PLN	4.2874	4.2757	0.3%	S/N	3.7107	3.7122	S/N	4.2869	4.2884
GBP/PLN	4.9050	4.8596	0.9%	1W	3.7104	3.7119	1W	4.2884	4.2899
CHF/PLN	3.7163	3.6782	1.0%	1M	3.7084	3.7100	1M	4.2935	4.2951
SEK/PLN	0.4236	0.4210	0.6%	2M	3.7064	3.7081	2M	4.3012	4.3031
NOK/PLN	0.4560	0.4522	0.8%	3M	3.7043	3.7062	3M	4.3086	4.3106
DKK/PLN	0.5756	0.5739	0.3%	6M	3.6963	3.6986	6M	4.3306	4.3331
CAD/PLN	2.8233	2.7899	1.2%	12M	3.6760	3.6788	12M	4.3778	4.3830
CZK/PLN	0.1663	0.1664	-0.1%						
				WIBOR	Last fixing	1-day change	T-bills (mid)	Today's opening	1-day change
EUR/USD	1.1552	1.1826	-2.3%	O/N	1.60 %	0 bp			
USD/JPY	110.78	109.96	0.7%	1W	1.56 %	0 bp			
GBP/USD	1.3215	1.3441	-1.7%	1M	1.64 %	0 bp	1M		
USD/CHF	0.9988	0.9830	1.6%	3M	1.70 %	0 bp	3M		bp
EUR/JPY	127.97	130.04	-1.6%	6M	1.78 %	0 bp	6M		bp
EUR/GBP	0.8741	0.8798	-0.7%	9M	1.79 %	0 bp	9M		bp
USD/CAD	1.3148	1.2959	1.5%	12M	1.82 %	0 bp	12M		bp
FRAs (mid)	Last closing			IRS (mid)	Today's opening	1-day change	T-Bonds (mid)	Today's opening	1-day change
1X2	1.66	1X7	1.79	2Y	1.94 %	-1 bp	2Y	1.64 %	0 bp
2X3	1.66	3X9	1.82	5Y	2.50 %	-3 bp	5Y	2.56 %	-4 bp
1X4	1.71	6X12	1.85	10Y	3.00 %	-4 bp	10Y	3.22 %	-3 bp
3X6	1.73			5Y-2Y	56 bp	-1 bp			
6X9	1.75			10Y-5Y	51 bp	-1 bp			
9X12	1.79			10Y-2Y	107 bp	-2 bp			



Appendix 1

Important Disclosures

Additional information available upon request

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