



Poland Daily

HEADLINES:

POL: Today the MPC ends two-day policy meeting. We expect the Monetary Policy Council to keep interest rates unchanged today. The main arguments for keeping interest rates unchanged are expected stabilization of inflation in coming months and alleviating inflationary pressure from energy commodities. Inflation in December and January should be close to that of November. Moreover, reduction of margins by PKN Orlen, domestic government-controlled oil company, effectively stabilized retail fuel prices in Poland despite reintroduction of 23% VAT on fuels on 1 January. The zloty remains relatively stable versus the EUR and the USD weakens what moderately tightens monetary conditions in Poland and this would be another argument for steady interest rates. World prices of major commodities and food remain stable while prices of energy commodities (hard coal excluded) continue their decline what should be yet another reason for keeping interest rates on hold at today's meeting.

THE DAY AHEAD...

POL: MPC decision

FRA: CPI (Dec, P), PMI services (Dec)

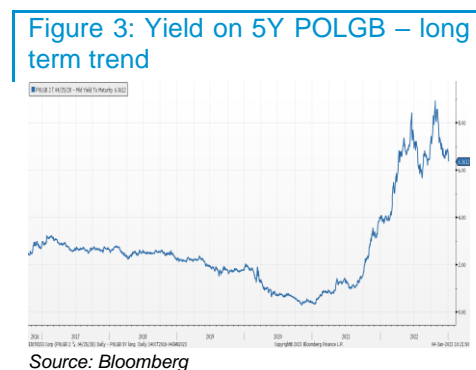
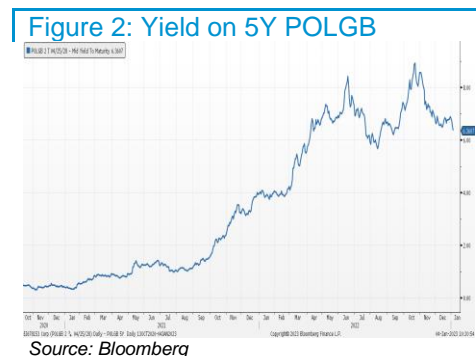
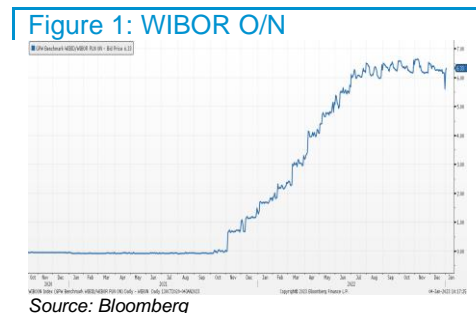
USA: ISM manufacturing (Dec)

TODAY'S FOCUS:

Today market participant will focus on MPC decision. Economic calendar contains CPI and PMI services for December from France and ISM manufacturing for December from the U.S.

DIARY (Today)

Country	GMT	Release	DB Expected	Actual	Consensus
FRA	7:45	CPI (Dec,P)		-0.1% (5.9%)	0.5% (6.4%)
FRA	8:50	PMI services (Dec)		49.5	48.1
POL		MPC decision	6.75%		6.75%
USA	15:00	ISM manufacturing (Dec)			48.5





Foreign Exchange

Today in the morning the zloty was 0.9% firmer versus the USD, firmed by 0.1% versus the EUR and was 0.2% weaker versus the CHF compared to the previous NBP fixing. The zloty was 0.3% weaker versus the GBP. The zloty gained on rising risk appetites.

The EUR firmed by 0.8% versus the USD on expectations of shallower recession in Europe.

Fixed Income

The yields on Poland's government bonds were down 11bps in 2-year sector and fell by 19bps and 18bps respectively in 5-year and 10-year ones.

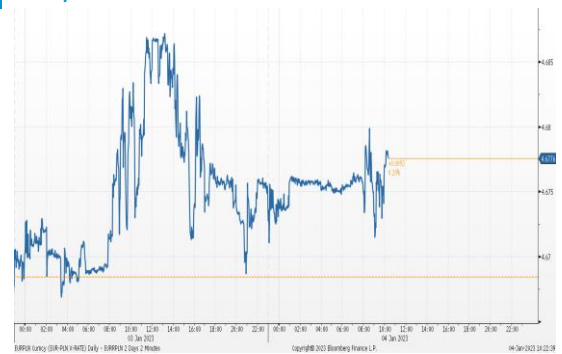
Interest Rates

PLN swap rates were 10-14bps down in all tenors.

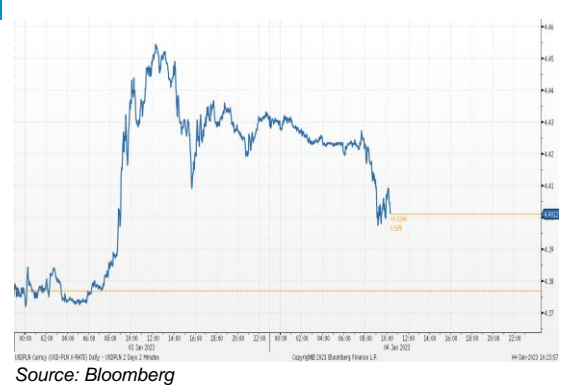
Equities

Yesterday the Dow Jones index closed 0.03% down and the S&P 500 index closed 0.40% down. Today in the morning the FTSE 100 index rose by 0.23%, the CAC 40 index was 1.22% up and the DAX index was 1.11% up. The Nikkei index closed 1.45% down. Today in the morning the WIG index rose by 0.77% and the WIG20 index was 0.81% up. Equity indices gained on expectations of shallow recession in Europe and on optimism on Chinese economic activity.

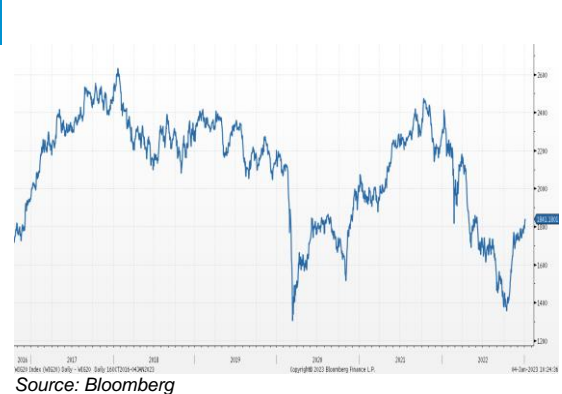
EUR/PLN



USD/PLN

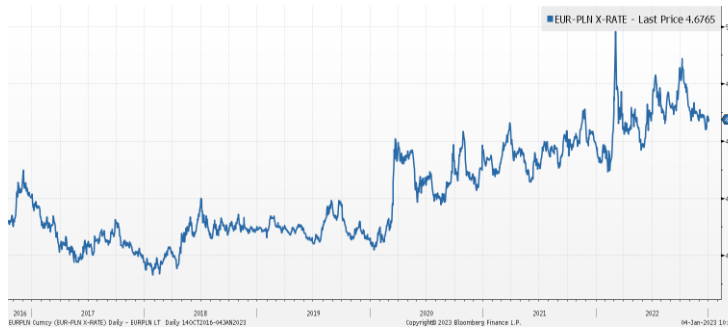


WIG20



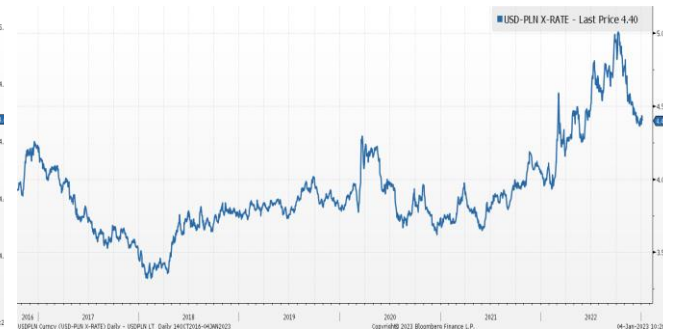
Medium term FX trends:

EUR/PLN



Source: Bloomberg

USD/PLN



Source: Bloomberg



Appendix 1

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