

20 May 2019

# Eyeopener

## Żłoty stable despite CEE fx weakness

No surprises with euro zone inflation  
 US consumer sentiment the highest in 15 years  
 Żłoty held ground vs depreciation in CEE  
 Domestic yields unchanged after nervous trading

On Friday, final euro zone HICP and US consumer confidence index were released. In case of the European data, there was no surprise while the flash May Michigan index beat expectations after it jumped to its highest level for 15 years. This helped the dollar and pushed UST yields up. On the domestic market, intraday trading was uneasy but the volatility was lower than in the previous days. The zloty lost slightly vs the euro and the dollar amid falling European stock indexes in the first part of the session. On Friday, the Brexit negotiations collapsed in the UK but the deal is still expected to be voted again in early June. This led to further pound depreciation, that started two weeks ago. Donald Trump said he decided to postpone the decision about the tariffs on the European autos by 180 days.

**EURUSD** was declining on Friday from 1.1180 to 1.1160, mainly driven by the release of surprisingly high Michigan index of consumer confidence. The euro zone inflation data published in the morning did not affect investors' sentiment. Today we expect to see stabilisation of EURUSD amid no important data releases.

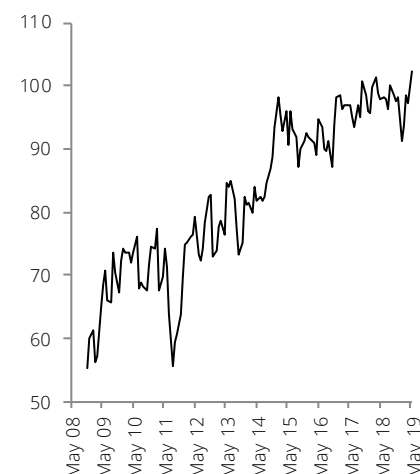
**EURPLN** was climbing for the better part of the day, following changes on the EURUSD market. The peak was set at 4.3080. In the afternoon the zloty regained the lost ground versus the euro despite falling EURUSD (in reaction to high Michigan). Still, on the daily chart EURPLN recorded a rise to 4.3040 from 4.3010. Today we are expecting the zloty to gain somewhat thanks to stabilisation of equities during the Asian trading hours.

As regards **other CEE currencies**, EURHUF and EURCZK rose significantly, which resulted from negative attitude towards countries that could suffer from the US trade war and from the threat to European exports. EURHUF moved from 324.70 to 326.40 and EURCZK from 25.72 to 25.76. USDRUB climbed from 64.60 to 64.70 in reaction to disappointing data about GDP growth in 1Q (0.5% y/y vs. expected 1.2% y/y). The ruble was also affected by cheaper crude oil and weaker than expected export growth.

On **the domestic debt market** yield stabilised close to the opening level, after nervous trade during the day (the daily volatility was rather small and stayed in the 2bp range). The IRS curve declined by 1bp. At the start of the week we expect slight decline of yields, which will be supported by lack of important data releases.

**This week** we will get some information how the Polish economy is performing at the start of 2Q after the slowdown recorded in 1Q. We forecast Poland April average wage growth in the corporate sector reaccelerated vs March fitting the picture of tensed labour market. Our forecasts of April industrial output and retail sales are above the market consensus. These releases should confirm that the economic growth deceleration is very gradual and the Polish economy remains resilient to the lower economic activity in Europe. As regards the European economic outlook, flash May manufacturing and services indexes are on the agenda. In April, manufacturing indexes for Germany and whole euro zone rose after eight consecutive months of a decline, giving hope that the bottom of the economic activity has already been reached. May's releases could be key if these hopes are to last. The FOMC minutes shall not convey much new information and should be rather market-neutral. European Parliament elections will be held this week.

US consumer sentiment, Michigan index



Source: Bloomberg, Santander

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## FX market

### Today's opening

EURPLN	4.3015	CZKPLN	0.1669
USDPLN	3.8572	HUFPLN*	1.3199
EURUSD	1.1152	RUBPLN	0.0597
CHFPLN	3.8120	NOKPLN	0.4396
GBPPLN	4.9090	DKKPLN	0.5760
USDCNY	6.9138	SEKPLN	0.4003

\*for 100HUF

### Last session in the FX market 17/05/2019

	min	max	open	close	fixing
EURPLN	4.300	4.309	4.300	4.306	4.3072
USDPLN	3.846	3.861	3.847	3.859	3.8545
EURUSD	1.116	1.118	1.118	1.116	-

## Interest rate market 17/05/2019

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0521 (2L)	1.65	0	21 mar 19	OK0521	1.633
PS0424 (5L)	2.24	1	21 mar 19	PS0424	2.209
DS1029 (10L)	2.87	0	21 mar 19	DS1029	2.877

### IRS on the interbank market\*\*

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.75	0	2.43	-1	-0.26	-1
2L	1.84	-1	2.26	-1	-0.24	-1
3L	1.90	-1	2.19	-2	-0.19	-1
4L	1.97	-1	2.17	-2	-0.12	-1
5L	2.05	-1	2.19	-2	-0.03	-1
8L	2.25	-1	2.28	-2	0.24	-2
10L	2.38	-1	2.35	-2	0.42	-2

### WIBOR rates

Term	%	Change (bps)
O/N	1.64	-14
T/N	1.63	-7
SW	1.60	0
2W	1.60	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.87	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.72	0
3x6	1.72	0
6x9	1.74	0
9x12	1.75	-1
3x9	1.79	0
6x12	1.81	0

### Measures of fiscal risk

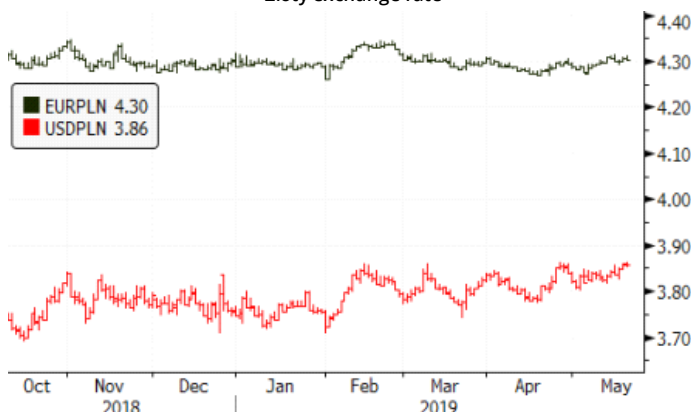
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.98 0
France	30 -1	0.39 0
Hungary		3.24 -1
Spain	55 -1	0.98 0
Italy	213 1	2.77 1
Portugal	62 2	1.15 0
Ireland	33 0	0.60 0
Germany	12 0	- -

\* 10Y treasury bonds over 10Y Bunds

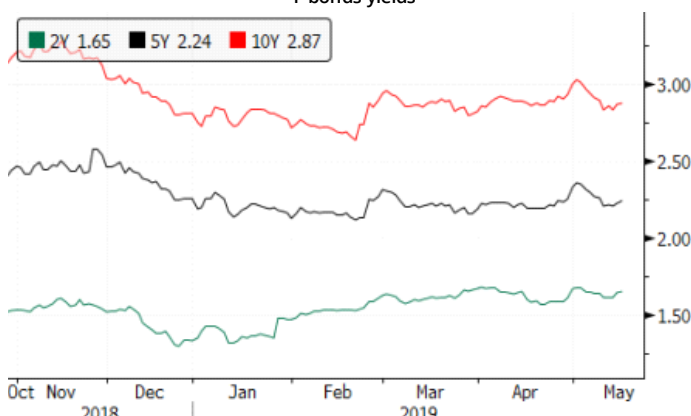
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

## Zloty exchange rate



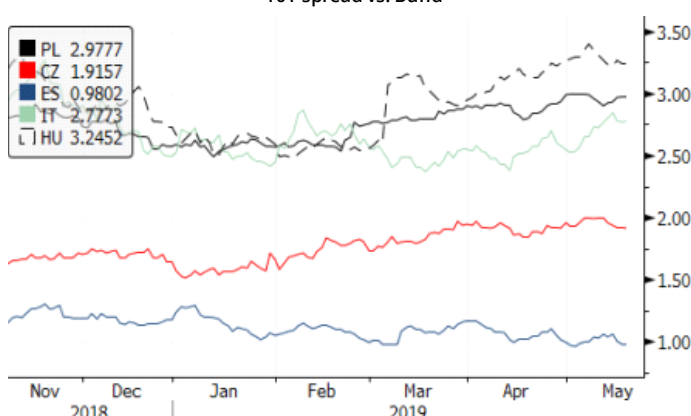
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (17 May)							
11:00	EZ	HICP	Apr	% y/y	1.7	-	1.4
16:00	US	Michigan index	May	pts	97.15	-	97.2
MONDAY (20 May)							
14:00	PL	MPC minutes					
TUESDAY (21 May)							
10:00	PL	Employment in corporate sector	Apr	% y/y	3.0	3.1	- 3.0
10:00	PL	Average Gross Wages	Apr	% y/y	6.45	6.7	- 5.7
16:00	US	Existing Home Sales	Apr	% m/m	2.57	-	-4.93
WEDNESDAY (22 May)							
10:00	PL	Sold Industrial Output	Apr	% y/y	8.7	8.7	- 5.6
10:00	PL	PPI	Apr	% y/y	2.55	2.7	- 2.5
20:00	US	FOMC Meeting Minutes	May.19		-	-	0.0
THURSDAY (23 May)							
08:00	DE	GDP WDA	1Q	% y/y	0.7	-	0.7
09:30	DE	Germany Manufacturing PMI	May	pts	44.8	-	44.4
09:30	DE	Markit Germany Services PMI	May	pts	55.4	-	55.7
10:00	DE	Ifo Business Climate	May	pts	99.2	-	99.2
10:00	EZ	Eurozone Manufacturing PMI	May	pts	48.2	-	47.9
10:00	EZ	Eurozone Services PMI	May	pts	53.0	-	52.8
10:00	PL	Construction Output	Apr	% y/y	18.3	17.4	- 10.8
10:00	PL	Retail Sales Real	Apr	% y/y	8.5	9.2	- 1.8
11:30	PL	Bond Switch Auction			-		
14:30	US	Initial Jobless Claims	May.19	k	220.0	-	212.0
16:00	US	New Home Sales	Apr	% m/m	-2.24	-	4.5
FRIDAY (24 May)							
14:00	PL	Money Supply M3	Apr	% y/y	10.1	10.2	- 9.9
14:30	US	Durable Goods Orders	Apr	% m/m	-2.0	-	2.8

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated \*\*estimate after inflation data

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