

21 May 2019

# Eyeopener

## Żłoty resilient to stock declines

Lower trade surplus of the euro zone  
 Żłoty strengthened despite poor sentiment on equity markets  
 Domestic yields held still after morning declines  
 Today wages and employment in Poland

On Monday the debt and fx markets were calm, despite losses on the equity markets. The lower market activity was a result of no important data releases and "fatigue" of investors, who have recently been flooded with politics-related news (trade wars, US-Iran tensions). Thus, release of data on euro zone trade surplus or information on new proposals regarding tariff union between the United Kingdom and the European Union did not impress investors. Bonds on the both sides of the Atlantic were hovering in a narrow range, similarly as the domestic debt and EURUSD, while EURPLN fell together with USDRUB, amid relatively stable performance of other CEE currencies.

The government informed that the **new benefit, PLN500 per month for the disabled**, will cost PLN3.0bn annually and around a half of the cost will be covered by the retail sales tax (so far the Court of Justice of the European Union rendered a non-final sentence against European Commission accusations that the tax is not in line with the EU law). The rest is to be financed by the special fund for supporting the disabled people, financed, among others, by means from the "solidarity tax" (effectively additional highest personal income tax rate) to be introduced next year.

**MPC's Eryk Łon** maintained his opinion that the next change of the interest rates could be a cut as the trends on the US stock exchange look worrisome to him. Eryk Łon is viewed as the most dovish MPC member and his opinion is not broadly shared by his colleagues judging by the tone of the post-meeting statements and the press conferences.

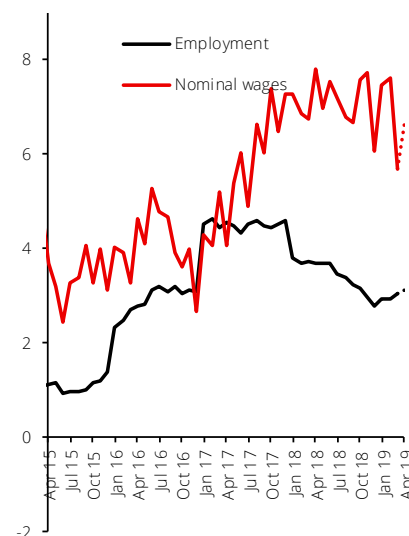
**EURUSD** was hovering on Monday in a narrow range 1.115-1.116 amid lack of important data releases or comments of politicians and central bankers. Tuesday's Asian session was mixed on the equity market and so EURUSD could remain stable today as well. The data release calendar is fairly empty.

**EURPLN** eased slightly on Monday despite falling stock indexes. The zloty was supported by a stabilisation of EURUSD while the dovish comment of MPC Łon was ignored. Today we expect the zloty to gain thanks to the Polish labour market data – our forecasts of wages and employment are above the consensus.

In the case of **CEE currencies** EURHUF and EURCZK were stable. EURHUF was hovering between 325.90 and 326.30, while EURCZK between 25.76 and 25.78, which was not affected by higher than expected Czech CPI reading. USDRUB decreased to 64.50 from 64.80, despite the falling oil prices – which usually affect the ruble negatively. Central Bank of Russia presented new lower inflation forecast and higher GDP forecasts for 2H19.

On the **domestic debt market** yields were hovering in the narrow 2bp range through most of the day, as well as IRS rates. Only in the morning yields and rates went down significantly, following core markets bonds and decreasing stocks indices in Europe. Today we expect the yield curve to rise on the short end. Such move could come from domestic wages data - which in our view can exceed expectations. However we believe that the bond market response will be modest.

Polish labour market data, %/y



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.3000	CZKPLN	0.1667
USDPLN	3.8572	HUFPLN*	1.3155
EURUSD	1.1148	RUBPLN	0.0597
CHFPLN	3.8131	NOKPLN	0.4384
GBPPLN	4.9021	DKKPLN	0.5757
USDCNY	6.9102	SEKPLN	0.3984

\*for 100HUF

### Last session in the FX market 20/05/2019

	min	max	open	close	fixing
EURPLN	4.296	4.311	4.305	4.299	4.2995
USDPLN	3.846	3.864	3.858	3.850	3.8543
EURUSD	1.115	1.118	1.116	1.117	-

## Interest rate market 20/05/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0521 (2L)	1.66	0	21 mar 19	OK0521	1.633
PS0424 (5L)	2.26	2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.88	1	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	1.74	0	2.45	1	-0.26	0
2L	1.84	0	2.28	2	-0.24	0
3L	1.90	1	2.21	2	-0.19	0
4L	1.98	1	2.20	2	-0.12	0
5L	2.06	1	2.21	2	-0.03	1
8L	2.26	1	2.30	2	0.26	1
10L	2.39	1	2.36	2	0.44	2

### WIBOR rates

Term	%	Change (bps)
O/N	1.61	-3
T/N	1.61	-2
SW	1.59	-1
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	1.74	0
3x9	1.79	0
6x12	1.81	0

### Measures of fiscal risk

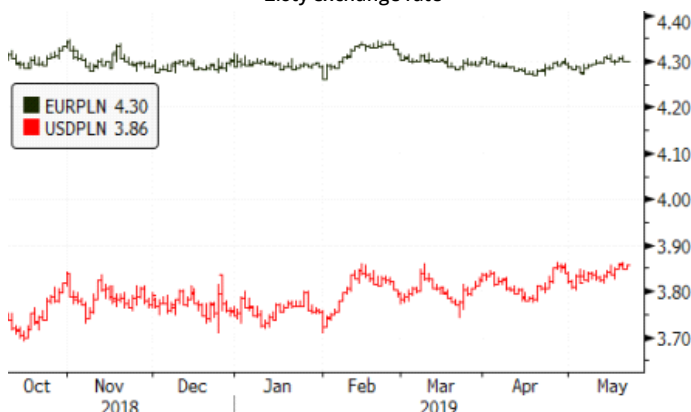
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.96 0
France	30 -1	0.40 0
Hungary		3.28 4
Spain	55 2	0.97 -1
Italy	215 -1	2.77 -2
Portugal	62 1	1.14 -1
Ireland	33 -1	0.60 0
Germany	12 0	- -

\* 10Y treasury bonds over 10Y Bunds

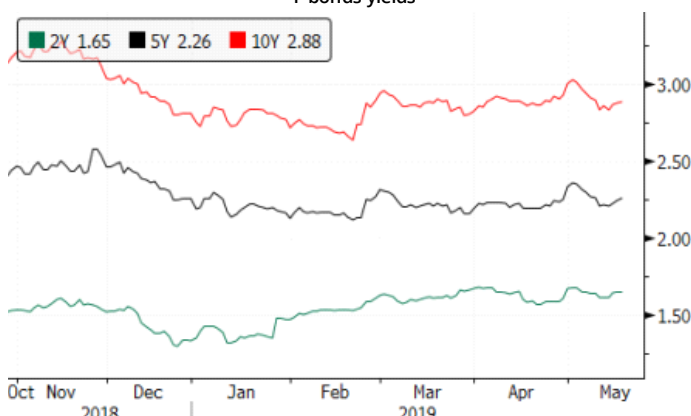
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

## Zloty exchange rate



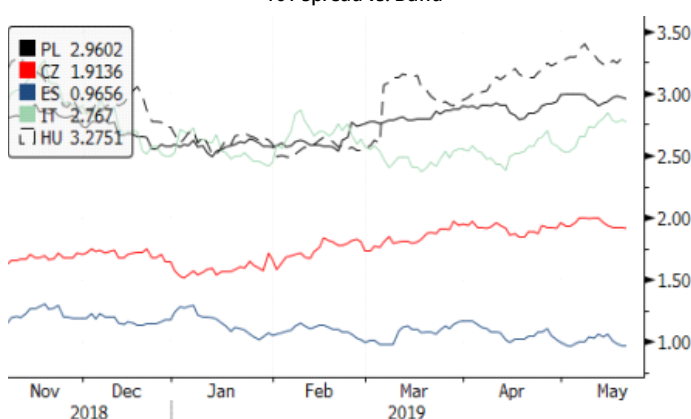
## T-bonds yields



## 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)							
No important events							
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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