

12 September 2018

Eyeopener

Markets waiting for the ECB

Positive German data with no persistent market impact
CEE currencies temporarily stronger, EURUSD down
Yields abroad go up, Polish debt losing less significantly
Today euro zone industrial output, GUS data on foreign trade

Positive global market sentiment persisted only at the beginning of the Tuesday's session. The German ZEW index rose unexpectedly in September but the impact of this release on the market was only temporary. As a result, the euro gave up half of Monday's gains vs the dollar and the CEE currencies returned to the opening levels after the morning appreciation. Today the market sentiment is slightly negative as investors are concerned about the effect of the trade wars and impact of Florence hurricane on the US economy.

EURUSD rose to 1.164 soon after the session opening thanks to the German data but the next hours saw correction of this move. At the end of the day the exchange rate was near 1.158. For seven sessions in a row EURUSD has been moving in the horizontal trend c1.155-1.165 and it seems the situation will not change today. The July euro zone industrial output data should be market-neutral and tomorrow the market attention will focus on the ECB press conference.

EURPLN declined in the morning to 4.30 in reaction to further rise of EURUSD after the data from Germany, but in the following hours the exchange rate reached 4.31. USDPLN was more volatile, decreasing to 3.70 and then rebounding to 3.72. Yesterday the zloty broke the streak of five days of depreciation vs the pound (which was gaining in the last few days on suggestions that a Brexit deal may be reached soon). EURPLN remains below a 4.34 resistance and we expect the exchange rate to remain close to 4.30 today, awaiting tomorrow's ECB decision.

As for **other currencies of the CEE region**, their behaviour during the session was similar to the zloty. In the morning, EURHUF dropped from 324.8 to 324.1 (the lowest since late August), but in the afternoon it moved back to the opening level. EURCZK declined from 25.66 to 25.60, but then returned above 25.64. The ruble outperformed other CEE currencies and was the only currency of the pack to show gains through most of the day (USDRUB dropped below 70.0). On Tuesday, the Russian economy minister assured that at the current level the currency does not need central bank intervention, but also admitted the recent depreciation is a risk for inflation. Yesterday the appreciation of the ruble was also led by higher oil prices.

On Tuesday on **the domestic debt market** yields and IRS rates rose slightly, yet in a smaller scale than on the core bond markets. In our opinion, the tone of ECB press conference (scheduled for tomorrow) will be positive for the debt market. Meanwhile, yields of German Bunds rose and broke the local high at 0.42% (registered at the end of August). We believe that until the Thursday statement of ECB president Mario Draghi the Polish 10Y yields will be pressured by higher levels of German yields. Yields of Polish 10Y bonds were stabilised below the May's high (slightly below 3.40%). This level will likely serve as an upper limit for the long end of the domestic curve.

The government set the 2019 **minimum wage** at PLN2250, up 7.1% vs this year's level, close to information in the local press from late August and higher than the original plan of the government to raise it by 5.7%. It is also a level that supports our c8% forecast of wage growth in national economy in 2019.

Today the stat office will release data about **foreign trade** for Jan-Jul. This could be a clue for C/A figure due on Thursday.

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FX market

Today's opening

EURPLN	4.3067	CZKPLN	0.1681
USDPLN	3.7177	HUFPLN*	1.3257
EURUSD	1.1584	RUBPLN	0.0534
CHFPLN	3.8190	NOKPLN	0.4460
GBPPLN	4.8342	DKKPLN	0.5774
USDCNY	6.8708	SEKPLN	0.4104

*for 100HUF

Last session in the FX market 11/09/2018

	min	max	open	close	fixing
EURPLN	4.302	4.316	4.315	4.306	4.3077
USDPLN	3.695	3.727	3.719	3.716	3.7087
EURUSD	1.157	1.164	1.160	1.159	-

Interest rate market 11/09/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.61	0	23 sie 18	OK0720	1.578
DS1023 (5L)	2.58	-1	23 sie 18	PS0123	2.335
WS0428 (10L)	3.27	1	23 sie 18	WS0428	3.156

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	0	2.73	1	-0.26	0
2L	1.96	0	2.93	3	-0.15	0
3L	2.16	1	2.98	4	0.00	0
4L	2.34	1	2.99	4	0.16	1
5L	2.51	2	2.99	4	0.32	1
8L	2.83	2	3.01	4	0.72	1
10L	3.00	2	3.03	4	0.94	2

WIBOR rates

Term	%	Change (bps)
O/N	1.54	0
T/N	1.54	-1
SW	1.55	0
2W	1.60	0
1M	1.64	0
3M	1.71	0
6M	1.79	0
9M	1.82	0
1Y	1.87	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.72	0
3x6	1.75	0
6x9	1.79	0
9x12	1.82	-1
3x9	1.83	0
6x12	1.87	0

Measures of fiscal risk

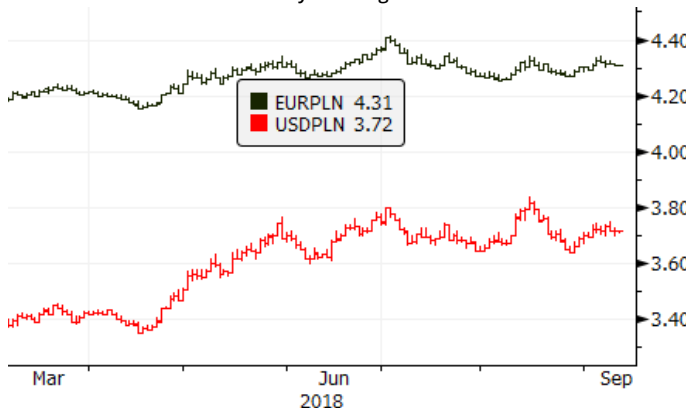
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.85 2
France	25 0	0.31 0
Hungary	116 1	3.14 1
Spain	62 0	1.04 1
Italy	231 -1	2.55 4
Portugal	64 0	1.47 1
Ireland	25 0	0.48 1
Germany	11 0	- -

* 10Y treasury bonds over 10Y Bunds

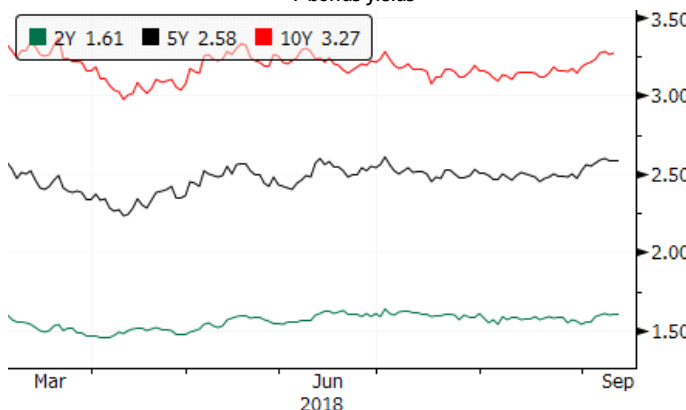
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

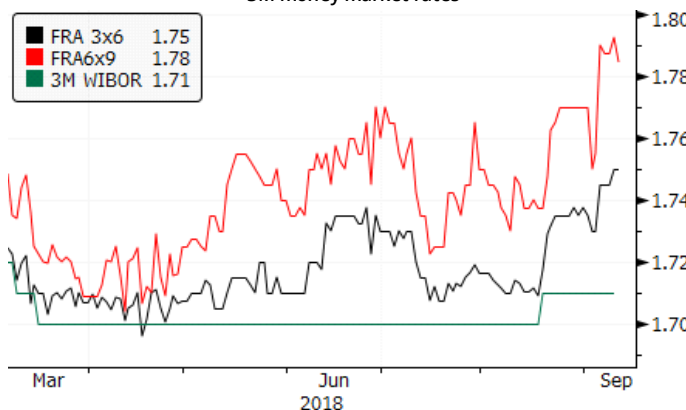
Zloty exchange rate



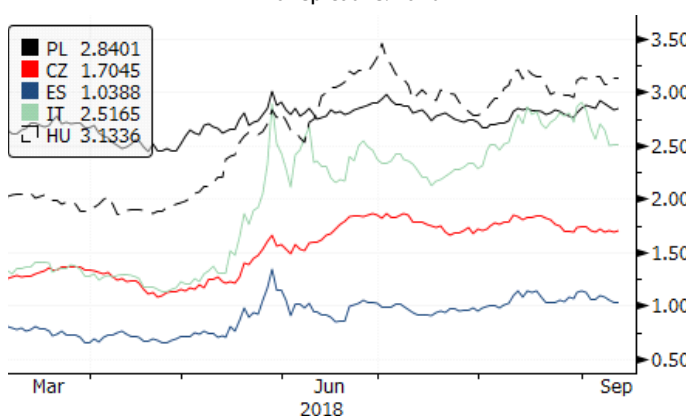
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Time CET	Country	Indicator	Period	Forecast		Actual value	Last value
				Market	Santander		
Friday (7 September)							
08:00	DE	Export	Jul	% m/m	0.2	-0.9	0.1
08:00	DE	Industrial Production	Jul	% m/m	0.2	-	-0.9
11:00	EZ	GDP SA	2Q	% y/y	2.2	-	2.2
14:30	US	Change in Nonfarm Payrolls	Aug	k	192	-	157
14:30	US	Unemployment rate	Aug	%	3.8	3.9	3.9
Monday (10 September)							
09:00	CZ	CPI	Aug	% y/y	2.4	2.5	2.3
Tuesday (11 September)							
09:00	HU	CPI	Aug	% y/y	3.3	3.4	3.4
11:00	DE	ZEW Survey Current Situation	Sep-18	pts	71.6	-	72.6
Wednesday (12 September)							
11:00	EZ	Industrial Production	Jul	% m/m	-0.5	-	-0.7
Thursday (13 September)							
08:00	DE	HICP	Aug	% m/m	0.1	-	0
10:00	PL	CPI	Aug	% y/y	2.0	2.0	2.0
13:45	EZ	ECB Main Refinancing Rate	Sep-18	%			
14:00	PL	Current Account Balance	Jul	€mn	-722	-418	-240
14:00	PL	Trade Balance	Jul	€mn	-460	-255	-413
14:00	PL	Exports	Jul	€mn	17191	17160	18071
14:00	PL	Imports	Jul	€mn	17750	17415	18484
14:30	US	CPI	Aug	% m/m	0.3	-	0.2
14:30	US	Initial Jobless Claims		k	212.5	-	213
Friday (14 September)							
14:00	PL	CPI Core	Aug	% y/y	0.8	0.8	0.6
14:30	US	Retail Sales Advance	Aug	% m/m	0.6	-	0.5
15:15	US	Industrial Production	Aug	% m/m	0.4	-	0.1
16:00	US	Michigan Index	Sep	pts	96.2	-	96.2
PL	Rating Review by Moody's						

Source: Santander Bank Polska, Bloomberg, Parkiet
* in case of the revision the data is updated

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