

18 September 2018

# Eyeopener

## HICP with no surprise

Polish HICP stable at 1.4% y/y  
Eurozone HICP with no surprise  
Trump to impose more tariffs on China imports  
Zloty gains, bonds stable despite core yields rise  
Today Poland labour market data

On Monday, Eurozone inflation was released (it came out at 2.0%, in line with expectations) while Donald Trump announced imposing 10% tariff on the Chinese imports worth USD200bn. Prices of oil and copper increased during the day. The market ignored Eurozone inflation data and showed no big negative reaction to the announcement of more tariffs on China imports (higher tariff rate was expected). As a result, the euro gained vs the dollar, the zloty strengthened and domestic bonds stayed stable despite the 10Y UST yield rising above 3.0%.

**Polish HICP** inflation accounted to 1.4% r/r, the same as in two previous months. Similarly to CPI, decline of price dynamics of noncore elements (food, oils, energy) was compensated by acceleration of core inflation from 0% y/y to 0.2% which is the highest level since January 2018. The rise was recorded for both the non-tradable part of core inflation (mainly services) and prices which are connected to abroad trade. The first one amounted to 0.7% y/y and is still below levels observed in 2017 and January 2018 (2.2% y/y on average). The second one has the highest dynamic for more than five years. We assume that next months will see core inflation growing.

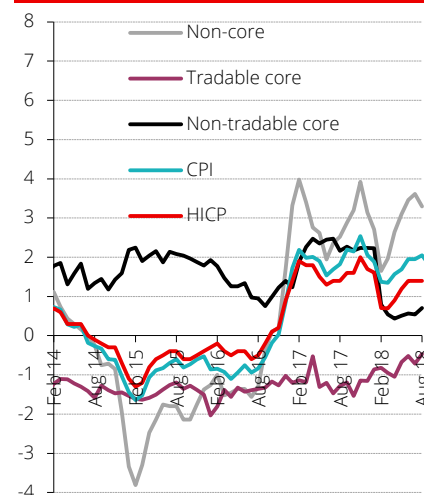
**On Monday, EURUSD** kept rising intraday despite announcements of further tariffs on Chinese goods. The euro was supported by fairly stable situation on the markets and the exchange rate moved from 1.163 to 1.169, going back to the Friday opening levels. Today, we expect the euro to continue to gain vs. the dollar as there are no important data releases and the markets reacted neutrally to the U.S. announcements of further tariffs on Chinese imports. The exchange rate has been slowly approaching the resistance at c1.175 and the nearest days are to show whether the upward trend will continue or the dollar will rebound.

**EURPLN** kept falling throughout the day amidst better sentiments towards the CEE currencies and stabilisation on the stock markets. As a result, EURPLN went down from 4.306 to 4.295 in the afternoon. EURPLN oscillates in the range from the 1st week of September. Today, we expect the zloty to keep appreciating nearing the September low at 4.284. The domestic labour market data should not affect the zloty.

**Other CEE currencies** stayed relatively stable. EURCZK was hovering around 25.45, ignoring the higher than expected PPI (3.3% y/y vs. 3.1% market forecast). EURHUF oscillated between 324.5 and 325.0 waiting for the today's central bank decision. USDRUB stabilized close to 68.10, after a few days of drops (which was a reaction for the last week rate hike). Ruble did not react to the temporary oil price rise.

**On Monday the yields of Polish bonds** rose slightly in the morning following the increases of German yields (by c2bp) and US Treasuries (c1bp) and slid in the afternoon back to the opening level. The domestic bonds stabilization was supported by lack of information about further bond selling by the domestic mutual funds. The 10bp yield drop of the 10Y Italian benchmark did not affect the domestic market. Today we anticipate further slight downshift of domestic bond yields.

HICP inflation breakdown, % y/y



Source: Eurostat, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.2947	CZKPLN	0.1687
USDPLN	3.6685	HUFPLN*	1.3230
EURUSD	1.1707	RUBPLN	0.0540
CHFPLN	3.8156	NOKPLN	0.4498
GBPPLN	4.8284	DKKPLN	0.5757
USDCNY	6.8581	SEKPLN	0.4127

\*for 100HUF

### Last session in the FX market 17/09/2018

	min	max	open	close	fixing
EURPLN	4.295	4.312	4.305	4.300	4.2968
USDPLN	3.674	3.721	3.706	3.676	3.6876
EURUSD	1.162	1.170	1.162	1.170	-

## Interest rate market 17/09/2018

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.60	0	6 wrz 18	OK0720	1.610
DS1023 (5L)	2.55	1	6 wrz 18	PS0123	2.462
WS0428 (10L)	3.22	0	6 wrz 18	WS0428	3.249

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

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.77	0	2.74	0	-0.25	0
2L	1.96	0	2.95	0	-0.14	1
3L	2.16	0	3.00	0	0.02	1
4L	2.34	0	3.02	0	0.19	2
5L	2.49	1	3.02	0	0.35	3
8L	2.81	1	3.04	1	0.74	2
10L	2.97	0	3.06	1	0.96	2

## WIBOR rates

Term	%	Change (bps)
O/N	1.50	-5
T/N	1.52	-3
SW	1.55	0
2W	1.59	-1
1M	1.64	0
3M	1.72	1
6M	1.79	0
9M	1.82	0
1Y	1.87	0

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

Term	%	Change (bps)
1x4	1.73	1
3x6	1.75	1
6x9	1.77	0
9x12	1.81	0
3x9	1.84	0
6x12	1.88	0

## Measures of fiscal risk

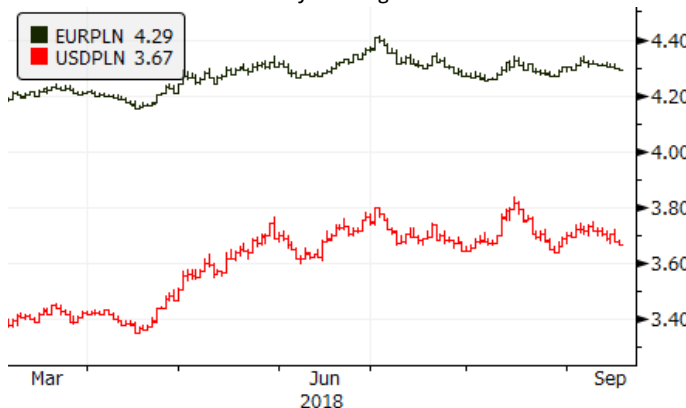
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.76 -1
France	24 0	0.31 0
Hungary	116 1	3.18 0
Spain	61 0	1.03 0
Italy	221 -9	2.41 3
Portugal	64 0	1.38 1
Ireland	25 0	0.47 0
Germany	10 -1	- -

\* 10Y treasury bonds over 10Y Bunds

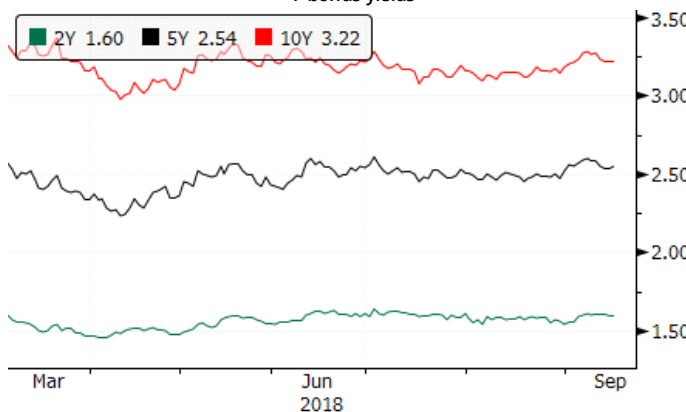
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

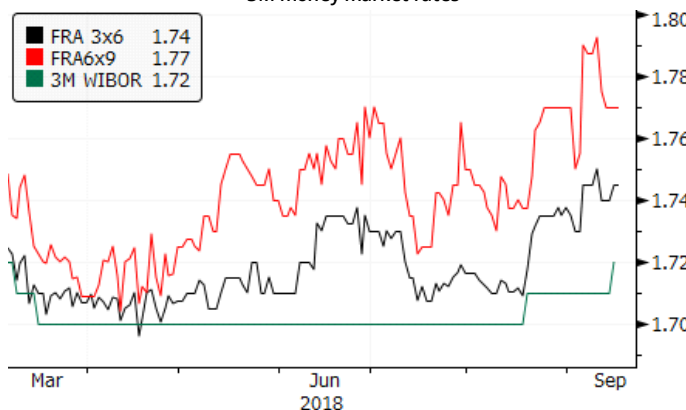
## Zloty exchange rate



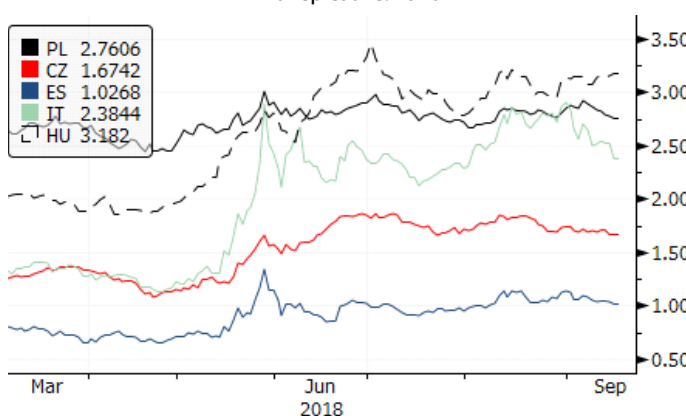
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Economic Calendar					FORECAST		ACTUAL VALUE	LAST
TIME		INDICATOR	PERIOD		MARKET	SANTANDER		VALUE
CET								
FRIDAY (14 September)								
14:00	PL	CPI Core	Aug	% y/y	0.8	0.8	0.9	0.6
14:30	US	Retail Sales Advance	Aug	% m/m	0.6	-	0.1	0.5
15:15	US	Industrial Production	Aug	% m/m	0.4	-	0.4	0.1
16:00	US	Michigan Index	Sep	pts	96.2	-	100.8	96.2
PL		Rating Review Moody's						
MONDAY (17 September)								
11:00	EZ	HICP	Aug	% y/y	2.0		2.0	2.0
TUESDAY (18 September)								
10:00	PL	Employment in corporate sector	Aug	% y/y	3.5	3.4	-	3.5
10:00	PL	Average Gross Wages	Aug	% y/y	7.0	6.9	-	7.2
14:00	HU	Central Bank Rate Decision		%	0.9		-	0.9
WEDNESDAY (19 September)								
10:00	PL	Sold Industrial Output	Aug	% y/y	5.05	5.2	-	10.3
10:00	PL	Construction Output	Aug	% y/y	18.45	19.0	-	18.7
10:00	PL	PPI	Aug	% y/y	3.0	2.8	-	3.4
14:30	US	Housing Starts	Aug	% m/m	5.82		-	0.9
THURSDAY (20 September)								
14:30	US	Initial Jobless Claims	week	k	210.0		-	204.0
14:30	US	Index Philly Fed	Sep		16.0		-	11.9
16:00	US	Existing Home Sales	Aug	% m/m	0.75		-	-0.74
FRIDAY (21 September)								
09:30	DE	Germany Manufacturing PMI	Sep	pts	55.7		-	55.9
09:30	DE	Markit Germany Services PMI	Sep	pts	55.0		-	55.0
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	54.5		-	54.6
10:00	EZ	Eurozone Services PMI	Sep	pts	54.4		-	54.4
10:00	PL	Retail Sales Real	Aug	% y/y	7.0	6.4	-	7.1

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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