

21 September 2018

# Eyeopener

## Today domestic retail sales data

Higher demand for risky assets  
 September's MPC minutes without significant changes  
 CEE currencies do not benefit from better global mood  
 Today: domestic retail sales data, in Europe flash PMI

Positive sentiment on global markets was felt since the beginning of the session. The market in recent days was not responding to further moves in the US-China trade war, which was supportive for risk assets. Yesterday equity indices rose, which weighed on domestic bonds and core markets. Another impulse for better sentiment were US data, which were significantly stronger than expected (raising expectations for rate hikes in the US). However, the optimism did not lead to appreciation of CEE currencies, which gave back some of the gains from previous days.

The tone of discussion held at the MPC meeting in September, as described in the **NBP minutes**, remained the same as in July. There is a repeated reference to higher oil prices, yet only a few Council members perceive it as a cause for concern about the future inflation path. The document presents the interpretation doubts that arose around the investment behaviour in Q2 - the MPC did not, however, construe this reading as a signal announcing a significant deterioration of the economic outlook. In the paragraphs summarizing the position prevailing amongst the MPC members, the monetary policy conclusions have not changed. The MPC still believes that stabilising rates in the years to come years will help to keep the economy on the path of sustainable growth.

Yesterday **EURUSD** increased to 1.173, its highest since early July. The dollar was under pressure due to the good sentiment on global markets which weakened demand on save assets. Today European data may decide if the upside trend continues. German and euro zone manufacturing PMIs have dropped since the beginning of the year contributing to the euro weakness. If today data surprise positively, EURUSD could stay at the elevated level at the end of the week. Generally, breaking the August peak opens door to further euro appreciation vs. the dollar..

Only at the beginning of session **EURPLN** managed to stay near its local low and later in the day we saw zloty depreciating despite positive global market mood and rising EURUSD. As a result, at the end of the day EURPLN was close to 4.30. On Wednesday we saw the zloty negative reaction to the below-consensus Polish output data. Today we will see Poland August retail sales data that we expect to be below market expectations. We assume domestic figures could generate an upside pressure on EURPLN but EURUSD reaction to the European data might also determine where the exchange rate will end the week.

**The other CEE currencies** also lost with the ruble being the sole exception benefiting from the dollar weakness. EURHUF rose to 323.7 from 323.1, EURCZK to 25.57 z 25.5, while USDRUB fell temporarily below 66.3 from 66.9. Yesterday, nearly all EM currencies lost vs the euro and gained vs the dollar.

**Polish bond yields** rebounded after the Wednesday's drop amid weakening on the core markets. Earlier in the week, yield of the 10Y US Treasury broke July peak at c3% and yesterday it climbed above 3.09%, its highest since May. Yield of the Polish 10Y benchmark remains close below its local peak from early September. Today we will see euro zone flash PMIs for September. The ECB rhetoric after the last meeting was rather hawkish and should today's releases give hope that economic slowdown in 1H18 was temporary, the yields in Poland and abroad might rise.

**OECD revised its global economic growth forecasts.** For many, we saw a downward revisions. For example, for Germany to 1.9% from 2.1% for 2018 and to 1.8% from 2.1% for 2019.

**OECD GDP growth forecasts for selected economies, in parentheses: change vs. the previous forecast)**

| Country/Region   | 2018 forecast | 2019 forecast |
|------------------|---------------|---------------|
| Global           | 3.7 (-0.1)    | 3.7 (-0.2)    |
| <b>Euro zone</b> | 2.0 (-0.2)    | 1.9 (-0.2)    |
| Germany          | 1.9 (-0.2)    | 1.8 (-0.3)    |
| France           | 1.6 (-0.3)    | 1.8 (-0.1)    |
| Italy            | 1.2 (-0.2)    | 1.1 (0.0)     |
| USA              | 2.9 (0.0)     | 2.7 (-0.1)    |
| UK               | 1.3 (-0.1)    | 1.2 (-0.1)    |
| Japan            | 1.2 (0.0)     | 1.2 (0.0)     |

Source: OECD,, Santander Bank Polska

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.2925 | CZKPLN  | 0.1681 |
| USDPLN | 3.6445 | HUFPLN* | 1.3271 |
| EURUSD | 1.1778 | RUBPLN  | 0.0549 |
| CHFPLN | 3.8000 | NOKPLN  | 0.4475 |
| GBPPLN | 4.8296 | DKKPLN  | 0.5755 |
| USDCNY | 6.8377 | SEKPLN  | 0.4150 |

\*for 100HUF

### Last session in the FX market 20/09/2018

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.285 | 4.301 | 4.287 | 4.291 | 4.2912 |
| USDPLN | 3.644 | 3.677 | 3.670 | 3.650 | 3.6702 |
| EURUSD | 1.167 | 1.178 | 1.168 | 1.176 | -      |

## Interest rate market 20/09/2018

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

| Benchmark (term) | %    | Change (bps) | Last auction | per offer | Average yield |
|------------------|------|--------------|--------------|-----------|---------------|
| DS1020 (2L)      | 1.55 | 1            | 6 wrz 18     | OK0720    | 1.610         |
| DS1023 (5L)      | 2.53 | 0            | 6 wrz 18     | PS0123    | 2.462         |
| WS0428 (10L)     | 3.23 | 2            | 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                            | 1.78 | 0            | 2.77 | 2            | -0.25 | 0            |
| 2L                            | 1.97 | 1            | 2.98 | 1            | -0.13 | 0            |
| 3L                            | 2.16 | 1            | 3.04 | 1            | 0.03  | 0            |
| 4L                            | 2.34 | 1            | 3.06 | 1            | 0.20  | 0            |
| 5L                            | 2.50 | 1            | 3.07 | 1            | 0.35  | -1           |
| 8L                            | 2.81 | 1            | 3.10 | 0            | 0.75  | -1           |
| 10L                           | 2.98 | 1            | 3.12 | 0            | 0.97  | -1           |

## WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 1.43 | -7           |
| T/N  | 1.52 | 2            |
| SW   | 1.54 | 0            |
| 2W   | 1.59 | 0            |
| 1M   | 1.64 | 0            |
| 3M   | 1.72 | 0            |
| 6M   | 1.79 | 0            |
| 9M   | 1.82 | 0            |
| 1Y   | 1.87 | 0            |

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

| Term | %    | Change (bps) |
|------|------|--------------|
| 1x4  | 1.73 | 0            |
| 3x6  | 1.75 | 0            |
| 6x9  | 1.78 | -1           |
| 9x12 | 1.82 | 0            |
| 3x9  | 1.84 | 0            |
| 6x12 | 1.88 | 0            |

## Measures of fiscal risk

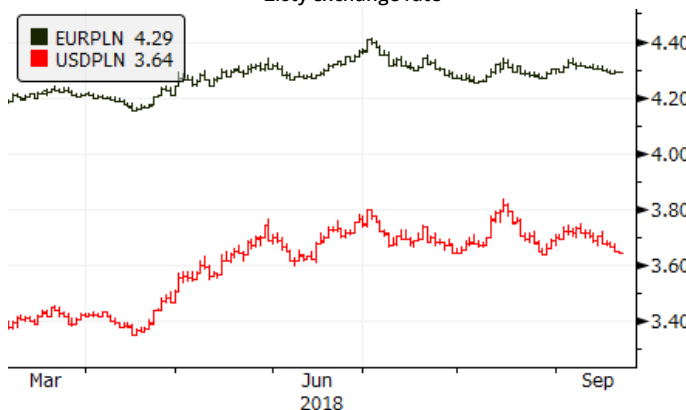
| Country  | CDS 5Y USD         | 10Y spread*        |
|----------|--------------------|--------------------|
|          | Level Change (bps) | Level Change (bps) |
| Poland   |                    | 2.75 1             |
| France   | 25 1               | 0.32 0             |
| Hungary  | 116 1              | 3.16 -1            |
| Spain    | 65 4               | 1.03 -1            |
| Italy    | 221 8              | 2.39 -2            |
| Portugal | 64 0               | 1.39 -1            |
| Ireland  | 25 0               | 0.49 0             |
| Germany  | 11 0               | - -                |

\* 10Y treasury bonds over 10Y Bunds

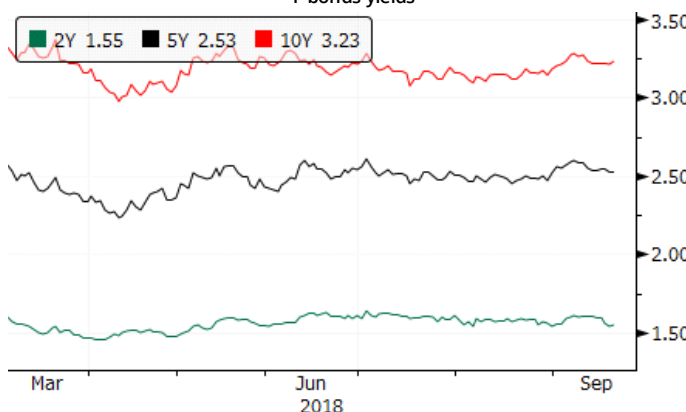
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

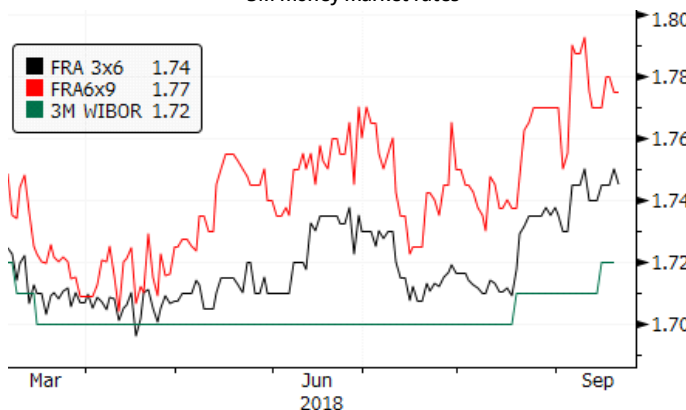
## Zloty exchange rate



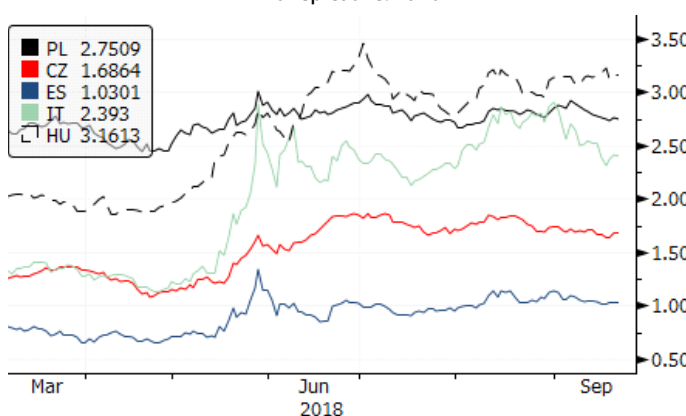
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| 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       | 3.4          | 3.5   |
| 10:00                    | PL | Average Gross Wages            | Aug    | % y/y | 7.0      | 6.9       | 6.8          | 7.2   |
| 14:00                    | HU | Central Bank Rate Decision     |        | %     | 0.9      |           | 0.9          | 0.9   |
| WEDNESDAY (19 September) |    |                                |        |       |          |           |              |       |
| 10:00                    | PL | Sold Industrial Output         | Aug    | % y/y | 5.0      | 5.2       | 5.0          | 10.3  |
| 10:00                    | PL | Construction Output            | Aug    | % y/y | 18.5     | 19.0      | 20.0         | 18.7  |
| 10:00                    | PL | PPI                            | Aug    | % y/y | 3.0      | 2.8       | 3.0          | 3.4   |
| 14:30                    | US | Housing Starts                 | Aug    | % m/m | 5.82     |           | 9.2          | 0.9   |
| THURSDAY (20 September)  |    |                                |        |       |          |           |              |       |
| 14:00                    | PL | MPC minutes                    |        |       |          |           |              |       |
| 14:30                    | US | Initial Jobless Claims         | week   | k     | 210      | 201       | -            | 204   |
| 14:30                    | US | Index Philly Fed               | Sep    | pt    | 18.0     | 22.9      | -            | 11.9  |
| 16:00                    | US | Existing Home Sales            | Aug    | % m/m | 0.4      | 0.0       | -            | -0.7  |
| FRIDAY (21 September)    |    |                                |        |       |          |           |              |       |
| 09:30                    | DE | Flash Manufacturing PMI        | Sep    | pts   | 55.7     |           | -            | 55.9  |
| 09:30                    | DE | Flash Services PMI             | Sep    | pts   | 55.0     |           | -            | 55.0  |
| 10:00                    | EZ | Flash Manufacturing PMI        | Sep    | pts   | 54.5     |           | -            | 54.6  |
| 10:00                    | EZ | Flash 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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