

26 September 2018

# Eyeopener

## Today FOMC decision

Zloty benefits from global mood improvement and EURUSD rise

Polish t-bonds stable despite core bonds decreases

Today: Decision of Czech Central Bank and FOMC

On Tuesday, the optimism returned on the market although no signs emerged that there could be some progress in the "trade war" negotiations. Stock indexes rose supporting the zloty, koruna and ruble, the latter gained also thanks to further rise of the oil price. Bond yields in Europe continued to rise after the Monday's Mario Draghi comment. ECB chief economist Peter Praet took an unsuccessful attempt to play down the Draghi's words..

**EURUSD** rose to 1.179 from 1.173 staying within the Monday's trading range. Today in the evening, the FOMC will decide on the interest rates. We and the market expect a 25bp rate hike and such decision shall not trigger any meaningful market reaction. In June, the FOMC said that in total four rate hikes might be delivered this year and this scenario is already priced in the market. We do not think that any material changes in this regard after the updated forecasts for 2019 will be released at the September meeting (three hikes are now planned). Thus, the outcome of the FOMC meeting should not trigger dollar appreciation.

Yesterday **EURPLN** decreased second session in a row and it went closer to the September's minimum 4.284 from the month beginning. USDPLN dropped from 3.64 from 3.67. The zloty benefited from improvement of global sentiment and EURUSD's growth. We do not expect that the dollar will have negative impact on the zloty (after Today evening FOMC's decision). If good sentiment is still maintained, EURPLN could test September's minimum.

Among other **CEE currencies**, the forint was the weakest one and it wiped out Monday's profits vs the euro. EURCZK fluctuated in a horizontal trend around 25.6 and USDRUB declined to 65.5 setting new September's minimum thanks to further increasing of oil prices.

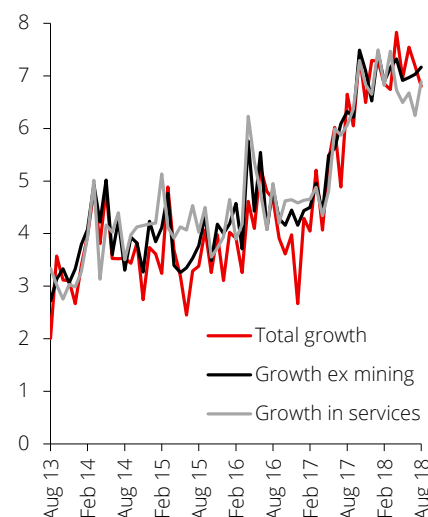
**Polish bond yields** did not change much yesterday despite the noticeable rise seen abroad. We think the Fed rate hike might generate only a mild and temporary upside pressure on Polish long-term bond yields.

The seasonally adjusted **GUS business climate indicator** showed a slight improvement in September. Subindices for current situation, expectations, output and new orders expectations went up. However, the scale of September improvement in these components is considerably lower than their August decline. Construction recorded a better assessment of current and expected orders as well as output expectations. Moods in trade remained historically high. Sales indicator went down, while demand and sales expectations improved markedly. Transport saw a decline in general climate to the lowest level this year with a significant reduction in optimism about future economic situation amid still sanguine views on the current situation. Transport is worried about future financial situation (index at the lowest level since mid-2017). A minute rebound of seasonally adjusted indicators for manufacturing is not enough to overshadow worries about the economic slowdown, which are still being mitigated by positive sentiments in construction and trade.

**Detailed data on wages** showed that in August their growth rate excluding mining rose to 7.2% y/y from 7.0% in July. Significant acceleration was recorded among others in mining (+10.4% y/y, the fastest since 2008), which comes from increasing difficulties in the sector to find skilled labour. In August service sector wages also rose at a faster pace (6.9% vs. 6.2% in July). Peak growth was seen in January (7.5%) and since then wages in services were mostly reducing the pace of growth, mostly due to deceleration in transport. In our view it is still possible that wage growth accelerate from here, but a double-digit pace seems less likely now, as a slowdown is coming and may lead to a decrease of labour demand.

Yesterday the government approved the **2019 budget draft** with deficit at PLN28.5bn.

Nominal wage growth, % y/y



Source: Stats Office., Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.2861	CZKPLN	0.1675
USDPLN	3.6434	HUFPLN*	1.3224
EURUSD	1.1764	RUBPLN	0.0554
CHFPLN	3.7760	NOKPLN	0.4487
GBPPLN	4.8001	DKKPLN	0.5746
USDCNY	6.8771	SEKPLN	0.4138

\*for 100HUF

### Last session in the FX market 25/09/2018

	min	max	open	close	fixing
EURPLN	4.285	4.305	4.295	4.292	4.2939
USDPLN	3.637	3.669	3.650	3.646	3.6511
EURUSD	1.173	1.179	1.177	1.177	-

## Interest rate market 25/09/2018

### 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)	2.56	1	6 wrz 18	PS0123	2.462
WS0428 (10L)	3.26	1	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	1.79	0	2.79	2	-0.25	0
2L	2.00	1	3.01	3	-0.11	1
3L	2.20	1	3.08	3	0.08	2
4L	2.40	2	3.10	3	0.26	2
5L	2.55	2	3.12	4	0.42	2
8L	2.87	2	3.14	3	0.82	2
10L	3.04	2	3.17	3	1.03	3

## WIBOR rates

Term	%	Change (bps)
O/N	2.06	24
T/N	2.04	23
SW	1.62	4
2W	1.60	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	1.76	0
6x9	1.80	0
9x12	1.83	0
3x9	1.85	1
6x12	1.90	1

## Measures of fiscal risk

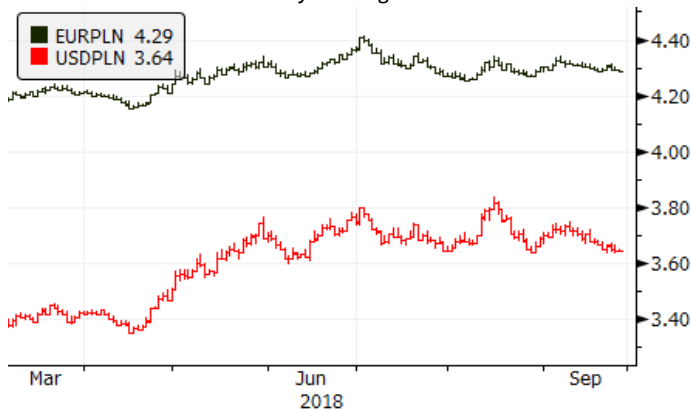
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.72 1
France	25 1	0.32 0
Hungary	116 1	3.07 1
Spain	65 4	0.99 1
Italy	221 8	2.37 3
Portugal	64 0	1.36 1
Ireland	25 0	0.49 0
Germany	11 0	- -

\* 10Y treasury bonds over 10Y Bunds

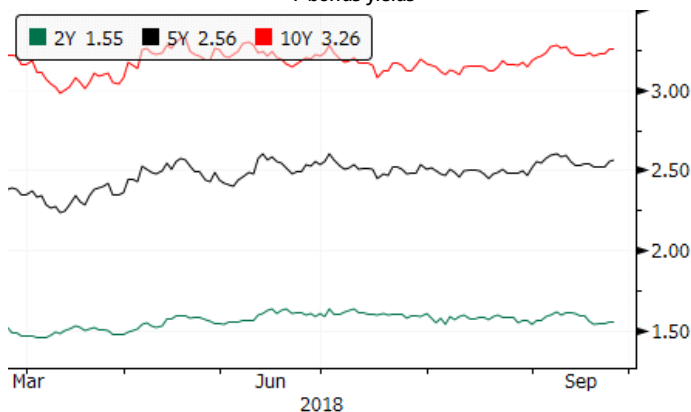
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

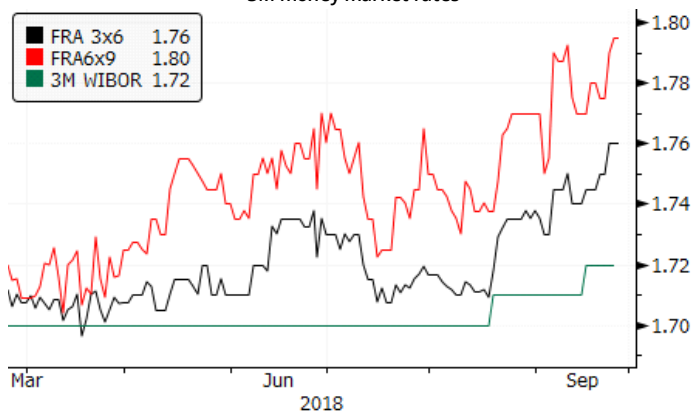
## Zloty exchange rate



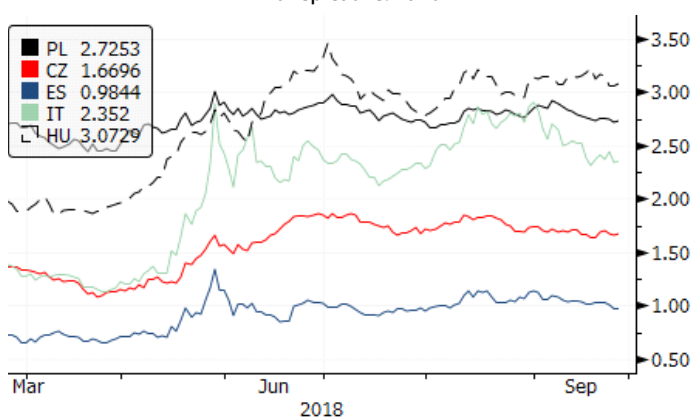
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Economic Calendar						ACTUAL VALUE		LAST
TIME		INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE
CET					MARKET	SANTANDER		
FRIDAY (21 September)								
09:30	DE	Flash Manufacturing PMI	Sep	pts	55.7	-	53.7	55.9
09:30	DE	Flash Services PMI	Sep	pts	55.0	-	56.5	55.0
10:00	EZ	Flash Manufacturing PMI	Sep	pts	54.5	-	53.3	54.6
10:00	EZ	Flash Services PMI	Sep	pts	54.4	-	54.7	54.4
10:00	PL	Retail Sales Real	Aug	% y/y	7.0	6.4	6.7	7.1
MONDAY (24 September)								
10:00	DE	Ifo index	Sep	pt	103.0	-	103.7	103.9
14:00	PL	Money supply M3	Aug	% y/y	7.5	7.4	7.5	7.3
TUESDAY (25 September)								
10:00	PL	Unemployment rate	Aug	%	5.9	5.9	5.8	5.9
16:00	US	Consumer confidence index	Sep	pt	132.0	-	138.4	134.7
WEDNESDAY (26 September)								
13:00	CZ	Central bank decision		%	1.50	-		1.25
16:00	US	New home sales	Aug	% m/m	0.5	-		-1.7
20:00	US	FOMC decision		%	2.25	-		2.0
THURSDAY (27 September)								
8:00	DE	Retail sales	Aug	% m/m	0.5	-		-0.4
11:00	EZ	ESI	Sep	pt	0.0	-		111.6
14:00	DE	HICP	Sep	% m/m	0.0	-		0.0
14:30	US	Durable goods orders	Aug	% m/m	1.7	-		-1.7
14:30	US	GDP	2Q	% q/q	4.2	-		4.2
14:30	US	Initial jobless claims	week	k	210	-		204
16:00	US	Pending home sales	Aug	m/m	-0.4	-		-0.7
FRIDAY (28 September)								
11:00	EZ	Flash HICP	Sep	% y/y	2.0	-		2.0
14:30	US	Personal spending	Aug	% m/m	0.3	-		0.4
14:30	US	Personal income	Aug	% m/m	0.4	-		0.3
14:30	US	PCE	Aug	% m/m	0.1	-		0.1
16:00	US	Michigan index	Sep	pt	100	-		100.8

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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