

28 September 2018

Eyeopener

Zloty gains despite strong dollar

EURPLN lower despite dollar appreciation, bonds pressured by core markets

Poland ESI index down

Today: euro zone flash HICP, many US data

On Thursday, the European equity indices increased despite a drop at the beginning of the session while trade in the US ended in red. Prices of oil and main commodities fell. On the core debt markets, yields started to rise after morning drops (in response to FOMC rhetoric) while the dollar gained. In Poland, the zloty continued to appreciate but yields went up following core markets. Release of ESI data for Europe disappointed, similarly as domestic component of indicator. German CPI was 0.3pp. higher than the market consensus. In its monthly bulletin, the ECB expressed its worries about escalation of trade wars on economic growth. Moreover, US industrial orders surprised positively while pending home sales fell short of expectations. Furthermore, the US Congress approved raising of the debt ceiling which shall allow the US administration to work until 9 December.

EURUSD continued the decline initialized on Wednesday after information that there may be a delay in approval of the Italian budget. In effect, after the largest one-day decline since the first half of August, EURUSD fell below 1.165. At the start of the today's session the sentiment is slightly negative so the dollar may remain strong, awaiting the afternoon data from the US.

EURPLN resumed the down move after the morning rise to 4.28. The zloty proved resilient to the dollar appreciation and benefited from the improving sentiment on the equity market. As a result, the exchange rate reached 4.265 intraday, the lowest level so far in September. EURPLN is now close to a support level established by the August low. Breaking this level shall open the door for a further decline towards 4.24.

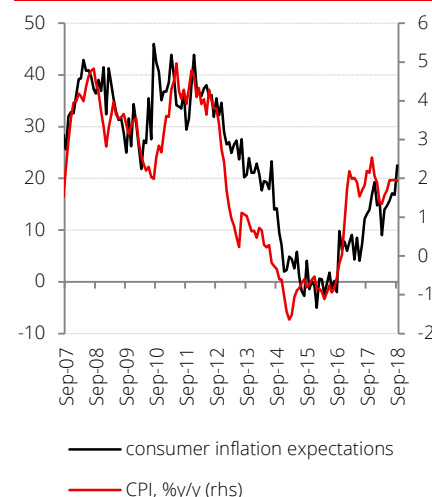
Among the other CEE currencies, only the ruble gained significantly despite the strong dollar and falling oil prices. USDRUB declined temporarily to 65.2 from 66.0. EURCZK continued the upside impulse triggered by the last central bank decision and reached the daily peak above 25.73. It was a result of investors' views that expectations for a rate hikes in Czechia were too aggressive. EURHUF did not change significantly.

Domestic yields increased following the core markets. Additional pressure on bonds was generated by information about possible rise of energy prices next year. As a result, the domestic curve moved c4bp up in 5-10Y segment and c1bp in 2Y segment. IRS fell which lead to a slight widening of the ASW spreads that were falling fast in the recent days. Today we expect the upside pressure on yields to hold in the 5-10Y segment, but the scale of rise should be significantly smaller than on Thursday.

Moody's analyst Heiko Peters said he does not see yet any negative response in FDI inflow or economic performance to fears about Polish judiciary system. He added that the very good fiscal results this year come mainly from strong economic growth, while the structural deficit (at c.2% of GDP) remains one of the highest in the region.

Poland ESI indices, calculated by the European Commission, confirmed that sentiment in domestic business worsened in September. Indices for industry, services and consumer sentiment decreased. On the other hand, there was a rebound in retail trade, to the highest level since March. As a result, the main sentiment indicator dropped from 108.9pt to 107.7pt, which is the lowest reading this year so far. ESI data revealed that consumer inflation expectations rebounded to the highest level in four years. Yet, this is still the level of the index that was seen when the economy entered deflation in 2014).

ESI: consumer inflation expectations



Source: European Commission, Stats Office, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.2686	CZKPLN	0.1662
USDPLN	3.6709	HUFPLN*	1.3191
EURUSD	1.1628	RUBPLN	0.0559
CHFPLN	3.7600	NOKPLN	0.4502
GBPPLN	4.7995	DKKPLN	0.5723
USDCNY	6.8862	SEKPLN	0.4148

*for 100HUF

Last session in the FX market 27/09/2018

	min	max	open	close	fixing
EURPLN	4.266	4.282	4.276	4.273	4.2814
USDPLN	3.621	3.665	3.639	3.660	3.6557
EURUSD	1.166	1.180	1.175	1.167	-

Interest rate market 27/09/2018

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)	2.55	1	6 wrz 18	PS0123	2.462
WS0428 (10L)	3.25	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	0	-0.24	0
2L	1.99	0	3.00	0	-0.10	1
3L	2.19	0	3.06	-1	0.09	2
4L	2.38	0	3.08	-1	0.26	2
5L	2.54	0	3.08	-1	0.43	2
8L	2.86	0	3.10	-2	0.81	1
10L	3.03	0	3.12	-2	1.02	1

WIBOR rates

Term	%	Change (bps)
O/N	1.93	-12
T/N	1.76	-28
SW	1.60	-2
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	1.79	0
9x12	1.83	-1
3x9	1.85	0
6x12	1.90	0

Measures of fiscal risk

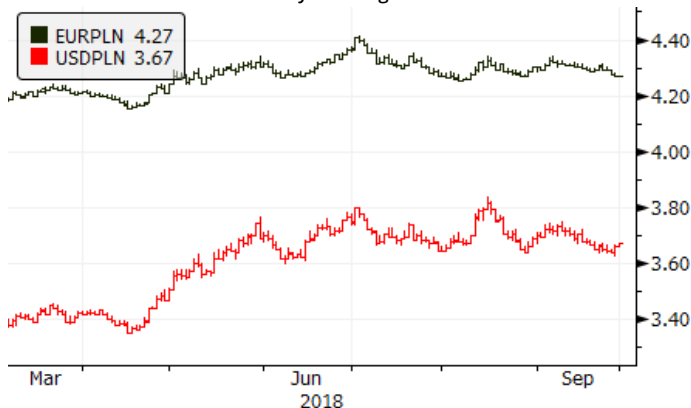
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.77 6
France	25 1	0.33 2
Hungary	116 1	3.10 5
Spain	65 4	1.04 6
Italy	221 8	2.62 26
Portugal	64 0	1.40 7
Ireland	25 0	0.51 2
Germany	11 0	- -

* 10Y treasury bonds over 10Y Bunds

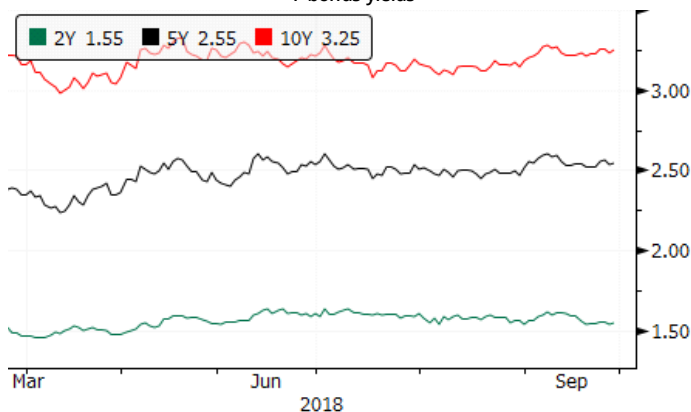
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

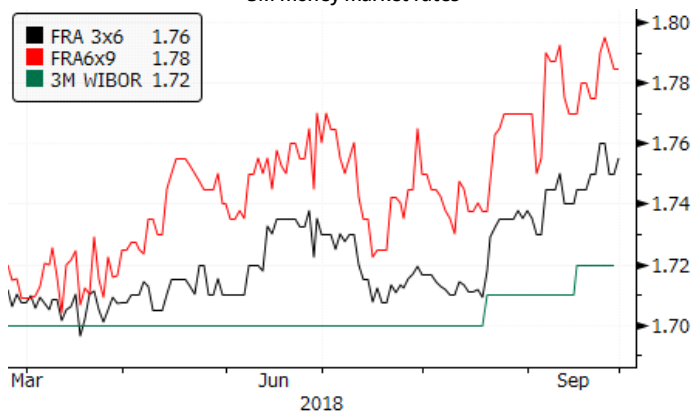
Zloty exchange rate



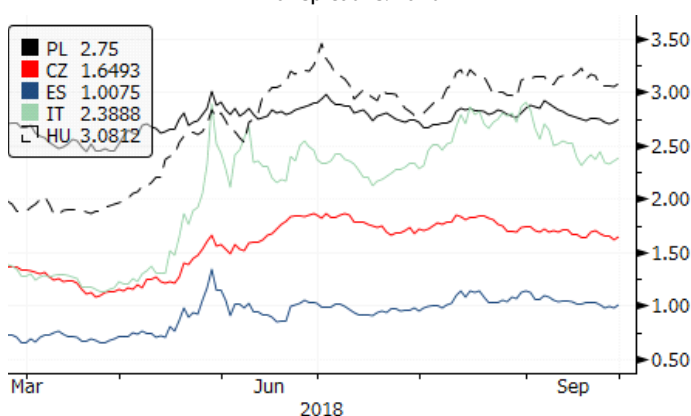
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

ECONOMIC CALENDAR					FORECAST		ACTUAL VALUE	LAST
TIME		INDICATOR	PERIOD		MARKET	SANTANDER		VALUE
CET								
FRIDAY (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	-	1.50	1.25
16:00	US	New home sales	Aug	% m/m	0.5	-	3.5	-1.6
20:00	US	FOMC decision		%	2.25	-	2.25	2.0
THURSDAY (27 September)								
14:00	DE	HICP	Sep	% m/m	0.1	-	0.4	0.0
14:30	US	Durable goods orders	Aug	% m/m	2.0	-	4.5	-1.7
14:30	US	GDP	2Q	% q/q	4.2	-	4.2	4.2
14:30	US	Initial jobless claims	week	k	210	-	214	204
16:00	US	Pending home sales	Aug	m/m	-0.5	-	-1.8	-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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