

10 October 2018

Eyeopener

Breakthrough in Brexit talks?

Global sentiments still mixed
Brexit dead is close, according to unofficial information
EURPLN temporarily above 4.32
Polish yields down despite rises abroad
Today foreign trade numbers

At the beginning of the Tuesday's session the mood on the global market was moderately positive, fuelling hopes for stabilisation of risky asset prices. Later the European stock market returned to falls, while the dollar resumed the appreciation trend against the euro as a reaction for rising fears about the global growth (after IMF cut the global growth forecast in its last World Economic Outlook and German export data surprised to the downside) as well as about the worsening of fiscal perspectives for Italy. Only at the end the risk aversion started to be weaker.

According to unofficial news from ITV (British TV channel), there has been a **breakthrough in Brexit negotiations**, and an agreement may soon be made. The broadcaster stated that the UK and EU reached a compromise on the border between Ireland and Northern Ireland – one of the most problematic issues being negotiated. The agreement is to assume no 'hard border' on the island, but customs controls between N.Ireland and Britain. What is more, according to The Times newspaper, a group of UK's Labour Party MPs wants a softer negotiation stance than the party leader Jeremy Corbyn. The news strengthened the pound which is now the strongest vs the euro since June.

Yesterday **EURUSD** dropped to October's low – 1.143 due to the return of risk aversion on the global market. At the end of the day, after a fast correction, the euro trimmed its earlier losses. Today in the morning the euro purchases c1.15 dollars. Today we will not get to know any important data but other FOMC's members are scheduled to speak.

Yesterday **EURPLN** again tested the resistance at 4.32 but at the end of the session it fluctuated slightly below this level (close to 4.31). At the beginning of the day USDPLN increased to 3.775 and at the end of the Polish trade hours it came back to 3.75, recorded at the start of the day. In the evening, the improving sentiment supported the zloty and today in the morning EURPLN is close to 4.305 and USDPLN is close to 3.74. We think that the zloty is relatively resistant to swings in global sentiment and the dollar appreciation.

As for the **other CEE currencies**, the forint gained, whereas the koruna and the ruble recorded a slight loss. The Czech koruna lost at the opening after the publication of the September CPI data which were below the consensus. However, supported by the statement of the vice governor of the Czech National Bank, it managed to recover by the end of the day. Mojmír Hampl said that interest rates could be raised again in early November. After the September hike by 25bp up to 1.50%, the governor had reduced the market expectations for further normalisation of the monetary policy, hence yesterday statement of Hampl slightly strengthened the koruna. CPI in Hungary surprised to the upside, which had a slightly positive impact on the forint and EURHUF fell after four upward sessions in a row.

Domestic yields went down yesterday by 1-2bp (the strongest drop at the long end) despite weakening of the Bunds and euro periphery bonds. Yields of the Polish 10Y benchmark tested the resistance at 3.30% (the May peak), yet it seems that at the time being it remains a technical level used to buy Polish debt.

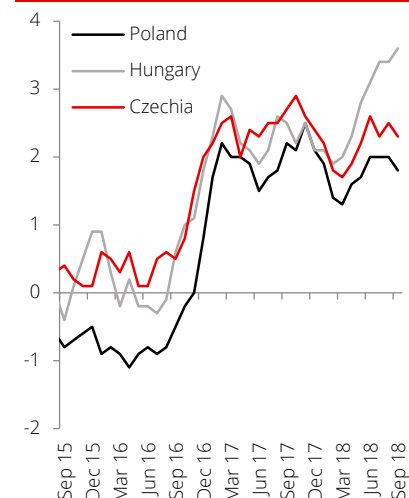
Today the stat office will release **data about foreign trade** in August. Amidst disturbing deterioration of new foreign orders, recorded in many countries including Polish industry, the data will help to assess the scale of the slowdown in exports

EURGBP



Source: Bloomberg, Santander Bank Polska

CPI in the CEE region, % y/y



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Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: skarb.santander.pl
Piotr Bielski +48 22 534 18 87
Marcin Luziński +48 22 534 18 85
Grzegorz Ogonek +48 22 534 19 23
Konrad Soszyński +48 22 534 18 86
Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening			
EURPLN	4.3043	CZKPLN	0.1667
USDPLN	3.7415	HUFPLN*	1.3252
EURUSD	1.1504	RUBPLN	0.0566
CHFPLN	3.7748	NOKPLN	0.4551
GBPPLN	4.9278	DKKPLN	0.5770
USDCNY	6.9185	SEKPLN	0.4121

*for 100HUF

Last session in the FX market 09/10/2018

	min	max	open	close	fixing
EURPLN	4.306	4.321	4.320	4.308	4.319
USDPLN	3.748	3.778	3.763	3.752	3.7629
EURUSD	1.143	1.150	1.148	1.148	-

Interest rate market 09/10/2018

T-bonds on the interbank market**						
Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield	
DS1020 (2L)	1.59	0	4 paź 18	OK0720	1.517	
DS1023 (5L)	2.59	-1	4 paź 18	PS0424	2.732	
WS0428 (10L)	3.29	-2	4 paź 18	WS0428	3.303	

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.80	0	2.83	1	-0.24	0
2L	2.01	1	3.07	1	-0.09	0
3L	2.25	2	3.15	0	0.10	0
4L	2.44	2	3.17	1	0.28	0
5L	2.60	2	3.18	1	0.44	0
8L	2.92	3	3.23	-1	0.85	0
10L	3.08	2	3.26	0	1.06	0

WIBOR rates

Term	%	Change (bps)
O/N	1.73	-2
T/N	1.74	-1
SW	1.63	1
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	1.77	1
6x9	1.81	1
9x12	1.86	1
3x9	1.86	0
6x12	1.90	1

Measures of fiscal risk

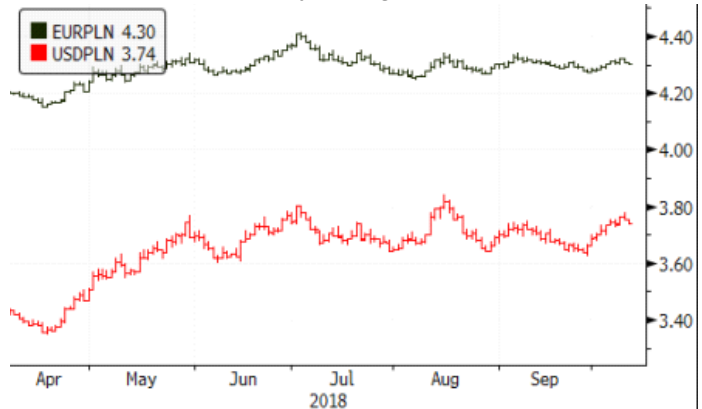
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.75	-1
France	25	1	0.34	0
Hungary	116	1	3.27	0
Spain	65	4	1.07	1
Italy	221	8	3.00	8
Portugal	64	0	1.43	1
Ireland	25	0	0.53	3
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

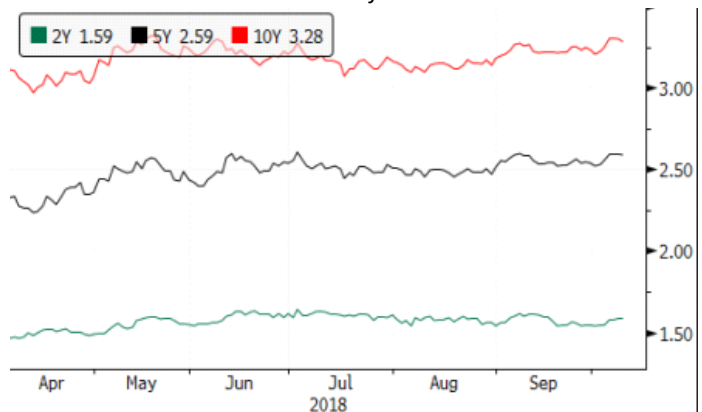
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

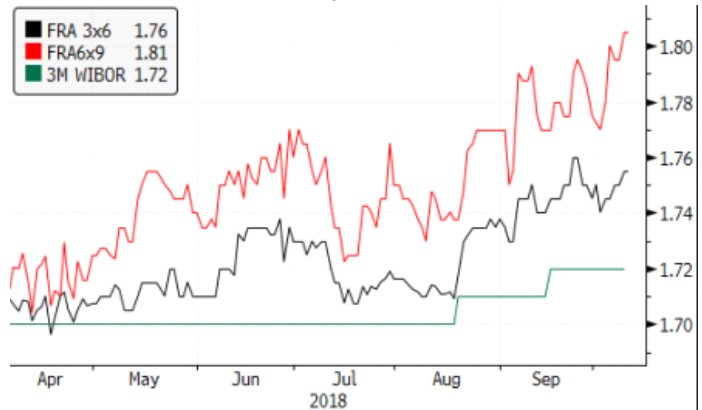
Zloty exchange rate



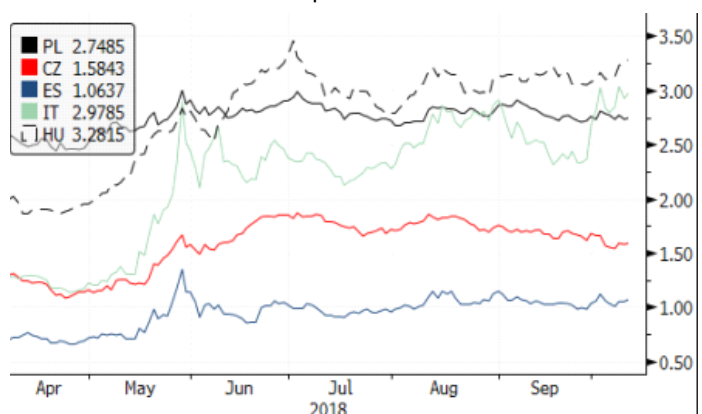
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (5 October)								
8:00	DE	Industrial orders	Aug	% m/m	0.8	-	2.0	-0.9
14:30	US	Non-farm payrolls	Sep	k	185	-	134	270
14:30	US	Unemployment rate	Sep	%	3.8	-	3.7	3.9
MONDAY (8 October)								
03:45	CN	Caixin China PMI Services	Sep	pts	51.4	-	53.1	51.5
08:00	DE	Industrial Production SA	Aug	% m/m	0.5	-	-0.3	-1.1
09:00	CZ	Industrial Production	Aug	% y/y	2.6	-	1.9	10.3
TUESDAY (9 October)								
08:00	DE	Exports SA	Aug	% m/m	0.4	-	-0.1	-0.8
09:00	CZ	CPI	Sep	% y/y	2.5	-	2.3	2.5
09:00	HU	CPI	Sep	% y/y	3.5	-	3.6	3.4
WEDNESDAY (10 October)								
No important events						-		
THURSDAY (11 October)								
14:30	US	CPI	Sep	% m/m	0.2	-		0.2
14:30	US	Initial Jobless Claims	week	k	215	-		207
FRIDAY (12 October)								
	PL	Fitch Rating Review						
	PL	S&P Rating Review						
08:00	DE	HICP	Sep	% m/m	0.4	-		0.4
11:00	EZ	Industrial Production SA	Aug	% m/m	0.5	-		-0.8
16:00	US	Michigan index	Oct	pts	100.8	-		100.1

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

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.