

11 October 2018

# Eyeopener

## Glapiński: no changes in interpretation of target

### Risk aversion rises

Glapiński: the MPC did not change its interpretation of target

EURPLN higher, euro stronger vs dollar

Polish bond yields slightly up

Today Polish data on foreign trade and US inflation

On Wednesday there were no key data releases, so global trading was still under influence of earlier events. The euro was gaining slightly vs. the dollar and the upward impulse in Italian bond yields eased after the economy minister of Italy said in the morning that the government will do whatever it takes to regain market trust. The pound continued to strengthen thanks to the media information that the Brexit deal may be reached soon. Yesterday the British currency was the strongest since June. European stock exchange indices were still moving down, due to the recent negative revisions of economic growth by IMF and also by news from Germany. The German government lowered the country's GDP forecast for 2018 to 1.8% from 2.3%, and to 1.8% from 2.1%. Declines of equity prices did not mean stronger demand for bonds and yields went higher. Yesterday US president Donald Trump said that the Fed is wrong in the way it runs monetary policy and is going too fast with rate hikes. S&P 500 index dropped yesterday by 3.3% (the largest one-day decline since February) and Nasdaq 100 index by more than 4% (the largest drop in seven years). Today similar declines were observed during the Asian session. The stock exchanges suffered from rising fears about trade wars and its impact on corporate results and margins ahead of the earnings season. Events in the USA strengthened the Treasuries market and yield of the 10Y bonds fell by more than 10 bp.

**President of NBP, Adam Glapiński** said in an interview with PAP (Polish Press Agency) that MPC did not change the interpretation of the inflation target. Glapiński's statements during the last MPC meeting ("as long as we are within the range, we meet the target") may have suggested that the Council has begun to perceive the target as a range and not a spot. We see the yesterday dementi of president Glapiński as a right step to improve communication with the markets.

Finance Minister Teresa Czerwińska said that **2018 budget deficit** will amount to 50-60% of the planned PLN41.5bn. This is in line with our forecast (PLN20-25bn).

Yesterday **EURUSD** grew to 1.155 in response to reassuring news from Italy and statement of Donald Trump. This afternoon the U.S. data will be published. The weekly number of initial jobless claims has been close to the record-low in the recent months and today's report should not have any significant impact on the trading. The CPI release may turn out much more important.

**EURPLN** went up yesterday from 4.30 to 4.314 driven up by significant falls on the European stock exchanges and despite a growing EURUSD. USDPLN fluctuated around 3.745. Other CEE currencies also lost amidst persisting risk aversion. The PLN remains highly sensitive to the global sentiments which have been very volatile lately. Deteriorating market mood pushed EURPLN to 4.32. As a result, we do not think the zloty will gain visibly within one week perspective, especially that Fitch and S&P may publish Polish rating update on Friday.

**Yields of domestic bonds** were rising yesterday by 2-3bp following the core markets and Euro zone periphery bonds. 5Y ASW spread fell below the September low at 0 bp and 10Y ASW spread is approaching a support at 20 bp. POLGB/UST 10Y spread is decreasing since the beginning of September and yesterday landed close to the 8 bp low registered in April. After the major strengthening of US Treasuries yesterday in the evening we see room for a downward correction of domestic yields.

Today (not yesterday as we mistakenly stated on Wednesday) 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.

### S&P500, pts



Source: Bloomberg, Santander Bank Polska

### 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 Łuziński** +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	4.3182	CZKPLN	0.1668
USDPLN	3.7385	HUFPLN*	1.3272
EURUSD	1.1550	RUBPLN	0.0560
CHFPLN	3.7829	NOKPLN	0.4540
GBPPLN	4.9364	DKKPLN	0.5788
USDCNY	6.9303	SEKPLN	0.4103

\*for 100HUF

### Last session in the FX market 10/10/2018

	min	max	open	close	fixing
EURPLN	4.301	4.317	4.308	4.315	4.3082
USDPLN	3.736	3.753	3.752	3.739	3.7507
EURUSD	1.148	1.155	1.148	1.154	-

## Interest rate market 10/10/2018

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.60	1	4 paź 18	OK0720	1.517
DS1023 (5L)	2.61	2	4 paź 18	PS0424	2.732
WS0428 (10L)	3.32	3	4 paź 18	WS0428	3.303

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

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.80	0	2.83	0	-0.24	0
2L	2.03	2	3.07	0	-0.09	0
3L	2.28	4	3.15	1	0.10	1
4L	2.49	4	3.18	1	0.29	1
5L	2.65	4	3.19	0	0.45	1
8L	2.96	4	3.24	1	0.86	1
10L	3.12	4	3.27	1	1.07	1

## WIBOR rates

Term	%	Change (bps)
O/N	1.74	1
T/N	1.74	0
SW	1.62	-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	0
6x9	1.81	0
9x12	1.86	0
3x9	1.86	0
6x12	1.91	1

## Measures of fiscal risk

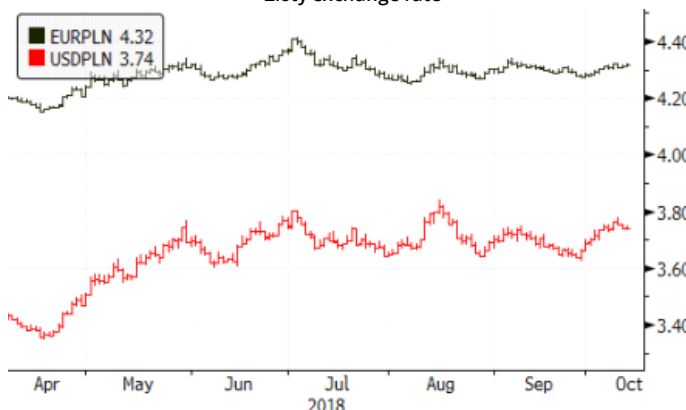
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.81 7
France	25 1	0.35 0
Hungary	116 1	3.38 4
Spain	65 4	1.08 2
Italy	221 8	3.02 7
Portugal	64 0	1.43 3
Ireland	25 0	0.53 1
Germany	11 0	- -

\* 10Y treasury bonds over 10Y Bunds

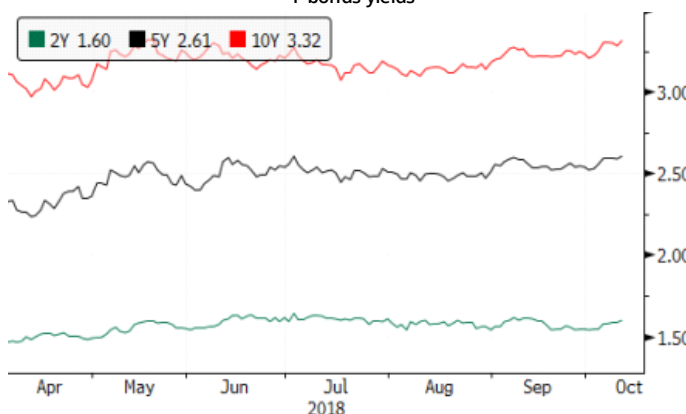
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

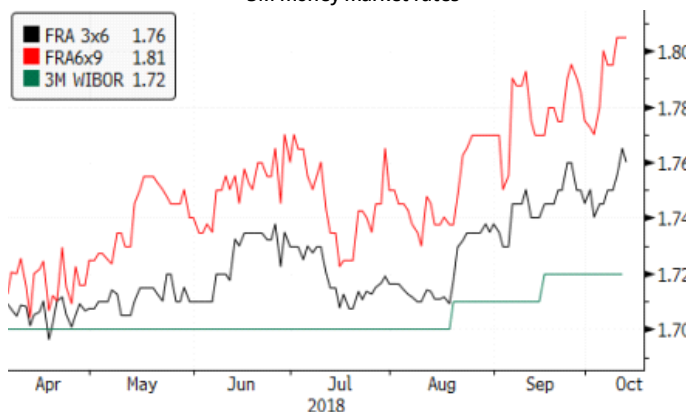
## Zloty exchange rate



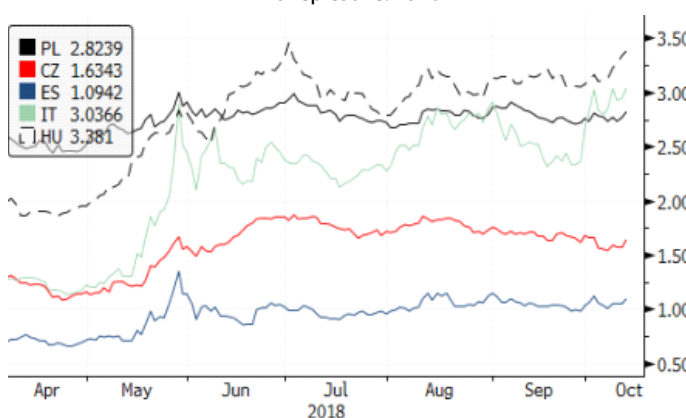
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
					MARKET	SANTANDER	VALUE	VALUE*
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	209	-		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>.