

30 November 2018

Eyeopener

Day of important Polish releases

Yields declined further, currencies stable after Fed chairman's speech

ESI sentiment indicators down in euro zone, up in Poland

Further poor US real estate data

Today Polish GDP and flash CPI, the start of G20 summit

On Thursday the bond markets were still under impact of Wednesday's words of Jerome Powell. The dovish message of the Fed governor no longer affected the FX and stock markets, CEE currencies even saw some correction after initial gain. Data on US incomes and spending surprised to the upside, while housing market numbers surprised to the downside (pending home sales recorded the second biggest drop this year. The FOMC minutes confirmed that the Fed is no longer willing to hike rates regularly. Even though almost all the Committee members assessed that December is the right time to raise rates, at the same they mulled whether to replace the forward guidance about further gradual policy tightening with flexible approach in response to incoming data. Flash November CPI in Germany fell more than expected, to 2.2% y/y from 2.4% y/y. Most ESI business cycle indicators for the euro zone fell further in November, but less than the market feared, while business sentiment in industry improved somewhat.

ESI indicators for Poland confirmed improvement of business sentiment in November, suggested earlier by GUS Survey. The main indicator was at the highest level since July and sentiment in retail trade at the highest since March. Manufacturing sector reported improvement in new orders and in services expectations regarding future demand have improved. Consumers' inflation expectations were stable.

Today at 10:00CET the Polish stat office will publish detailed 3Q GDP data and flash CPI for November. We shall see what caused the flash GDP reading coming out well above the consensus. Some clues point to a stronger-than-expected rebound of investments. We think consumption stayed close to 5% y/y while net exports started to weigh on growth. We expect inflation data will show it sinking from 1.8% to 1.5% y/y due to the highly negative base effect (there was a spike of food and fuel prices a year ago).

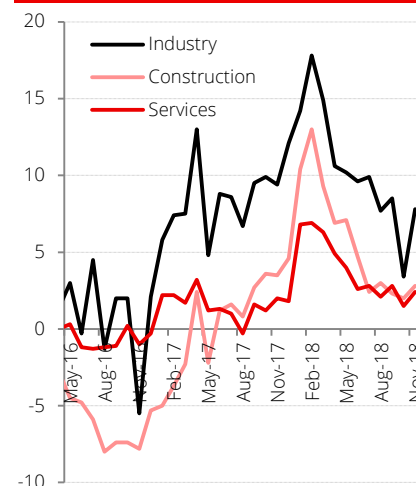
Yesterday, **EURUSD** stabilised at 1.138, after strong rebound observed on Wednesday evening, in response to Fed chairman's speech. Today no important data will be released in main global economies, however after closing of the Polish session comments of prominent politicians participating in G20 summit in Buenos Aires may be published. In our opinion, the incoming weekend may encourage investors to take profits from the Wednesday EURUSD rise.

Yesterday during the first phase of session **EURPLN** increased to 4.296, however in subsequent hours zloty recovered and EURPLN was again slightly below 4.29 at the session close. USDPLN also reported a temporary increase to 3.785, but it was quickly corrected downwards to 3.765. Today zloty is facing important data on the Polish economy, however their impact on the Polish may be ambiguous. In our opinion EURPLN may be close to 4.26 support in the upcoming days.

In the case of **other CEE currencies**, ruble appreciated vs dollar thanks to slight increase in crude oil prices which translated in USDRUB's biggest daily drop since the first half of November. EURCZK went up slightly, while EURHUF remained relatively stable.

Yesterday **yields of domestic bonds** slipped by 2-6bp (mostly on the long end of the curve), as a reaction to the strengthening of bonds on core and euro zone periphery bond markets (as a consequence of Wednesday's Fed's chairman speech). The Polish sovereign bonds performed better than the German ones. On the switch auction, Ministry of Finance sold cPLN7bn bonds, MF said that gross borrowing needs for 2019 are already covered in 15%. The flash CPI release is scheduled for today. Our forecast (1.5% y/y) is slightly below the market consensus (1.6% y/y) and it should support further positive background for Polish bonds.

ESI business sentiment indicators



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FX market

Today's opening

EURPLN	4.2876	CZKPLN	0.1651
USDPLN	3.7657	HUFPLN*	1.3251
EURUSD	1.1386	RUBPLN	0.0566
CHFPLN	3.7803	NOKPLN	0.4404
GBPPLN	4.8127	DKKPLN	0.5746
USDCNY	6.9461	SEKPLN	0.4146

*for 100HUF

Last session in the FX market 29/11/2018

	min	max	open	close	fixing
EURPLN	4.284	4.297	4.287	4.288	4.29
USDPLN	3.760	3.786	3.779	3.770	3.7728
EURUSD	1.134	1.140	1.134	1.137	-

Interest rate market 29/11/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.54	-2	15 lis 18	OK0521	1.784
PS0424 (5L)	2.54	-4	15 lis 18	PS0424	2.626
WS0428 (10L)	3.12	-5	15 lis 18	WS0428	3.226

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	0	2.91	0	-0.24	0
2L	1.91	-2	2.98	-1	-0.15	-1
3L	2.07	-5	2.99	-2	-0.02	-2
4L	2.21	-6	2.98	-2	0.14	-2
5L	2.34	-6	2.99	-3	0.28	-2
8L	2.59	-7	3.03	-3	0.67	-2
10L	2.72	-8	3.07	-3	0.88	-3

WIBOR rates

Term	%	Change (bps)
O/N	1.53	13
T/N	1.54	2
SW	1.55	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	1.74	0
6x9	1.78	1
9x12	1.82	0
3x9	1.81	0
6x12	1.86	0

Measures of fiscal risk

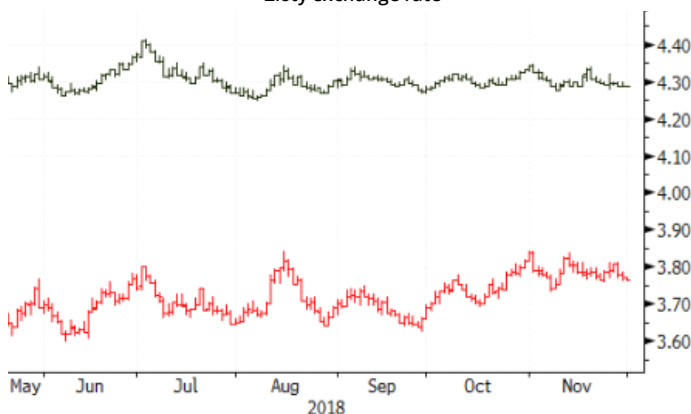
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.79	-6
France	25	1	0.37	0
Hungary	116	1	2.89	0
Spain	65	4	1.18	-1
Italy	221	8	2.87	-1
Portugal	64	0	1.51	0
Ireland	25	0	0.59	0
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

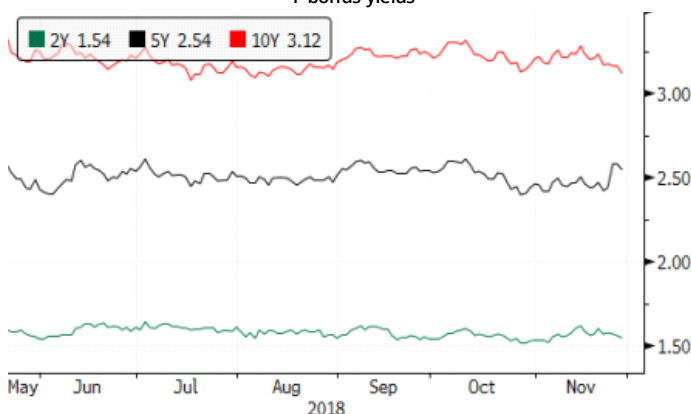
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

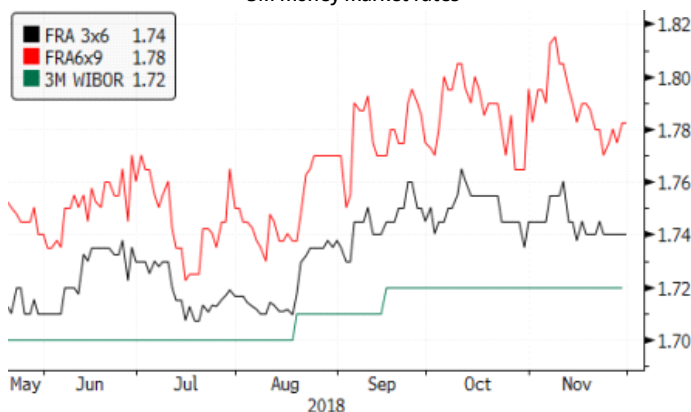
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (23 November)								
08:00	DE	GDP WDA	3Q	% y/y	1.1	-	1.1	1.1
09:30	DE	Flash Germany Manufacturing PMI	Nov	pts	52.2	-	51.6	52.2
09:30	DE	Flash Markit Germany Services PMI	Nov	pts	54.5	-	53.3	54.7
10:00	EZ	Flash Eurozone Manufacturing PMI	Nov	pts	52.0	-	51.5	52.0
10:00	EZ	Flash Eurozone Services PMI	Nov	pts	53.5	-	53.1	53.7
14:00	PL	Money Supply M3	Oct	% y/y	7.8	7.9	8.3	7.9
MONDAY (26 November)								
10:00	DE	IFO Business Climate	Nov	pts	-	-	102.0	102.9
TUESDAY (27 November)								
10:00	PL	Unemployment Rate	Oct	%	-	5.7	5.7	5.7
16:00	US	Consumer Conference Board	Nov	pts	136.2	-	135.7	137.9
WEDNESDAY (28 November)								
14:30	US	GDP Annualized	3Q	% Q/Q	3.5	-	3.5	3.5
16:00	US	New Home Sales	Oct	% m/m	4.0	-	-8.9	1.0
THURSDAY (29 November)								
11:00	PL	Bond switch auction						
11:00	EZ	ESI	Nov	pct.	-	-	109.5	109.8
14:00	DE	HICP	Nov	% m/m	-	-	0.1	0.1
14:30	US	Initial Jobless Claims	week	k	220	-	234	216
14:30	US	Personal Spending	Oct	% m/m	0.4	-	0.6	0.2
14:30	US	Personal Income	Oct	% m/m	0.4	-	0.5	0.2
14:30	US	PCE Deflator SA	Oct	% m/m	0.2	-	0.2	0.1
16:00	US	Pending Home Sales	Oct	% m/m	0.5	-	-2.6	0.7
20:00	US	FOMC Meeting Minutes						
FRIDAY (30 November)								
09:00	CZ	GDP SA	3Q	% y/y	2.3	-	2.4	2.3
10:00	PL	Flash CPI	Nov	% y/y	1.6	1.5		1.8
10:00	PL	GDP	3Q	% y/y	5.1	5.1		5.1
11:00	EZ	Flash HICP	Nov	% y/y	2.0	-		2.2
11:00	EZ	Unemployment Rate	Oct	%	8.0	-		8.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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