

6 December 2018

# Eyeopener

## MPC keeps calm

Calm trading with US markets closed  
MPC left rates unchanged as expected  
Złoty stable, Polish bond yields slightly higher  
Today plenty of US data

There were no important changes on the global market on Wednesday. Data from Europe were in line with forecast and closed markets in the USA attributed to calm trading. As a result, bond yields were hovering near Tuesday's close and FX rates did not change much. The sell-off in Asian equity markets has been continued, though. Today in the morning the new data about German industrial orders have been released. On one hand, they showed third increase of orders in a row in m/m terms and clear acceleration in orders of investment goods from the euro area, on the other hand the pace of orders decline in y/y terms has been deepening (to -2.7% y/y in October).

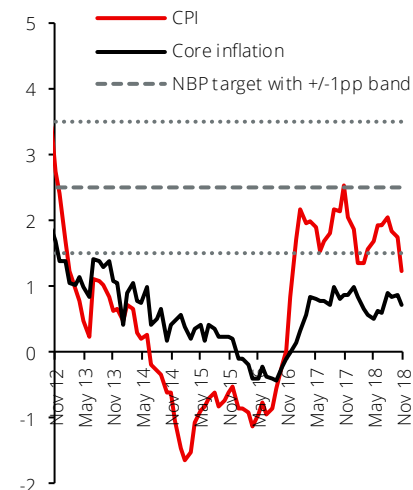
In line with expectations, the **MPC kept interest rates unchanged** with the main policy rate at 1.50%. The statement did not change much and the NBP president repeated the pledge to keep rates stable until the end of 2019. Overall, there is no change in the MPC policy outlook, in our view. Interest rates are going to stay on hold at least until the very end of 2019, and maybe even longer (if, for example, economic slowdown is deeper than expected and/or inflation fails to pick up visibly next year). Find more in our yesterday's [Economic comment](#).

Yesterday **EURUSD** oscillated around the Tuesday minimum reached in reaction to John Williams' (FOMC) comment about a need for further gradual tightening of monetary policy. Today ADP report from the US labour market will be released and together with the government data about changes in employment in November (to be released tomorrow) may set the direction for EURUSD for the end of the week. Since mid-November EURUSD has fluctuated in a horizontal trend, waiting for a stronger impulse that would generate a directional movement.

Yesterday **EURPLN** increased to 4.29 and at the session closing it was again around the intraday peak. USDPLN got slightly above the Tuesday peak and exceeded 3.785. Yesterday, the złoty was relatively resistant to further significant declines on the European stock markets. Although it was fx neutral, it is worth noting that Fitch rating agency upgraded Polish GDP growth forecast for 2018-2020 to 5.1%, 3.8%, 3% respectively from 4.8%, 3.6%, 2.9%. Investment path was raised, while CPI was lowered a bit. In the case of other CEE currencies forint and ruble remained stable (the first one did not react on the upside revision of already high GDP flash reading for 3Q), while koruna appreciated slightly vs euro.

On the **domestic interest rates market**, IRS and yields rose by c2bp, a little more than the core markets. 5Y IRS still oscillated close the lowest level registered this year, while the 10Y IRS stayed at the lowest level since September 2017. The US labour data releases scheduled for today and tomorrow will likely influence core bond markets and may also affect Polish debt.

CPI and core inflation vs NBP target



Source: GUS, NBP, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.2889	CZKPLN	0.1655
USDPLN	3.7857	HUFPLN*	1.3251
EURUSD	1.1329	RUBPLN	0.0567
CHFPLN	3.7920	NOKPLN	0.4436
GBPPLN	4.8104	DKKPLN	0.5747
USDCNY	6.8800	SEKPLN	0.4209

\*for 100HUF

### Last session in the FX market 05/12/2018

	min	max	open	close	fixing
EURPLN	4.280	4.290	4.282	4.283	4.2896
USDPLN	3.770	3.788	3.775	3.774	3.7832
EURUSD	1.131	1.136	1.134	1.135	-

## Interest rate market 05/12/2018

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.54	1	15 lis 18	OK0521	1.784
PS0424 (5L)	2.49	2	15 lis 18	PS0424	2.626
WS0428 (10L)	3.05	1	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	1.76	-1	2.90	-1	-0.23	1
2L	1.88	0	2.96	-1	-0.14	1
3L	2.02	0	2.95	-1	-0.01	2
4L	2.15	0	2.94	0	0.13	2
5L	2.27	0	2.92	-1	0.27	2
8L	2.52	0	2.94	0	0.65	3
10L	2.66	-1	2.98	0	0.87	3

## WIBOR rates

Term	%	Change (bps)
O/N	1.43	-10
T/N	1.44	-10
SW	1.54	-1
2W	1.59	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.87	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.72	0
3x6	1.74	-1
6x9	1.76	-1
9x12	1.79	-2
3x9	1.81	0
6x12	1.83	0

## Measures of fiscal risk

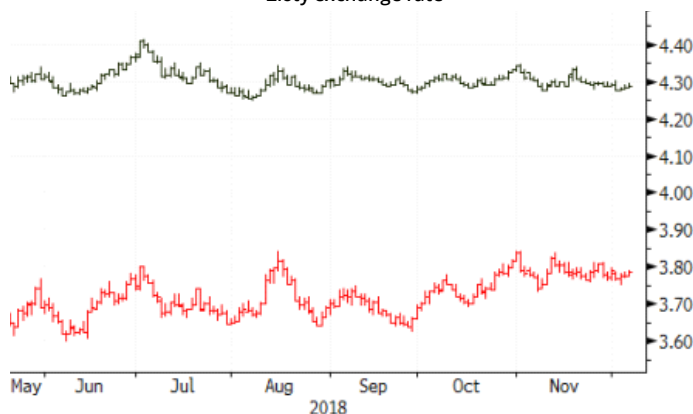
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.79	2
France	25	1	0.41	0
Hungary	116	1	2.92	1
Spain	65	4	1.18	0
Italy	221	8	2.80	1
Portugal	64	0	1.52	1
Ireland	25	0	0.62	0
Germany	11	0	-	-

\* 10Y treasury bonds over 10Y Bunds

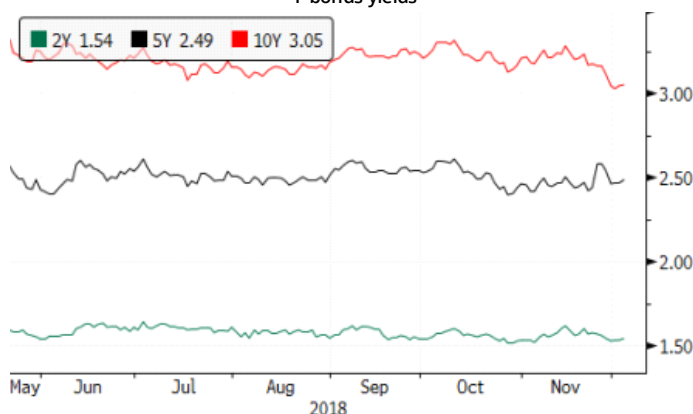
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

## Zloty exchange rate



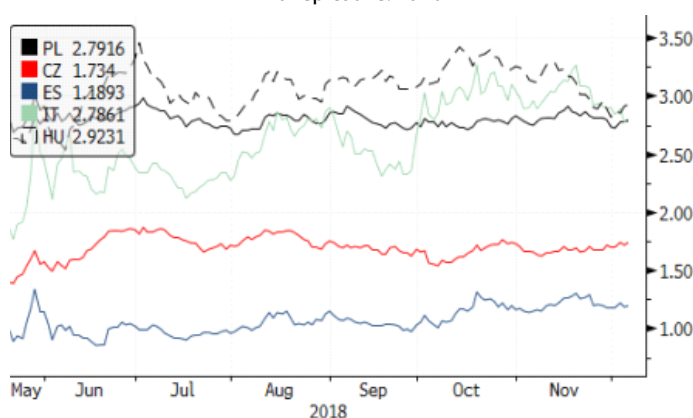
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (30 November)								
08:00	DE	Retail Sales	Oct	% m/m	0.4	-	-0.3	-0.3
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	1.2	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	-	2.0	2.2
11:00	EZ	Unemployment Rate	Oct	%	8.0	-	8.1	8.1
MONDAY (3 December)								
09:00	PL	Poland Manufacturing PMI	Nov	pts	50.4	51.1	49.5	50.4
09:55	DE	Germany Manufacturing PMI	Nov	pts	51.6	-		51.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	51.5	-		51.5
16:00	US	ISM manufacturing	Nov	pts	58.0	-		57.7
TUESDAY (4 December)								
No important events								
WEDNESDAY (5 December)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
02:45	CN	Caixin China PMI Services	Nov	pts	50.9	-	53.8	50.8
09:00	HU	GDP	3Q	% y/y	4.8	-	4.9	4.8
09:55	DE	Markit Germany Services PMI	Nov	pts	53.3	-	53.3	53.3
10:00	EZ	Eurozone Services PMI	Nov	pts	53.1	-	53.4	53.1
11:00	EZ	Retail Sales	Oct	% m/m	0.2	-	0.3	-0.5
20:00	US	Fed Beige Book						
THURSDAY (6 December)								
08:00	DE	Factory Orders	Oct	% m/m	-0.4	-	0.3	0.1
14:15	US	ADP report	Nov	k	195	-		227
14:30	US	Initial Jobless Claims	week	k	225	-		224
16:00	US	ISM services	Nov	pts	59.0	-		60.3
16:00	US	Durable Goods Orders	Oct	% m/m	-2.4	-		-4.4
16:00	US	Factory Orders	Oct	% m/m	-2.0	-		0.7
FRIDAY (7 December)								
08:00	DE	Industrial Production SA	Oct	% m/m	0.3	-		0.2
09:00	CZ	Industrial Production	Oct	% y/y	5.4	-		-0.9
11:00	EZ	GDP SA	3Q	% y/y	1.7	-		1.7
14:30	US	Change in Nonfarm Payrolls	Nov	k	205	-		250
14:30	US	Unemployment Rate	Nov	%	3.7	-		3.7
16:00	US	Michigan index	Dec	pts	97.0	-		97.5

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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