

13 March 2019

Eyeopener

Brexit deal rejected again

British parliament voted against the Withdrawal Agreement
 Zloty stable, big intraday swings of the pound
 Domestic and core market bonds relatively stable
 Today UK parliament votes on the Hard Brexit option

On Tuesday, similarly as on Monday, the most considerable volatility was observed on the pound and British bonds markets. After the declaration of the European Commission head and the UK Prime Minister at night from Monday to Tuesday, the market started pricing-in a higher probability that the Brexit deal would pass - the pound gained and British bond yields climbed higher. However, the situation changed markedly on Tuesday around noon, when the UK Attorney General issued his opinion on the Monday's declaration. In his view, the declaration did not give the United Kingdom the right to unilaterally revoke the backstop agreement if there is no deal until end of 2020. Such an interpretation caused that the pound returned to levels seen on early Monday. In the USA we got to see data on lower inflation.

In the evening, the **House of Commons voted against the Brexit deal**, 391:242, which means that today we will get to see a Hard Brexit vote. If this vote also fails, then tomorrow the House of Commons will vote whether to make the government apply for a delay in Brexit. The EU could make the decision on extending the deadline at the summit scheduled for 21-22 March.

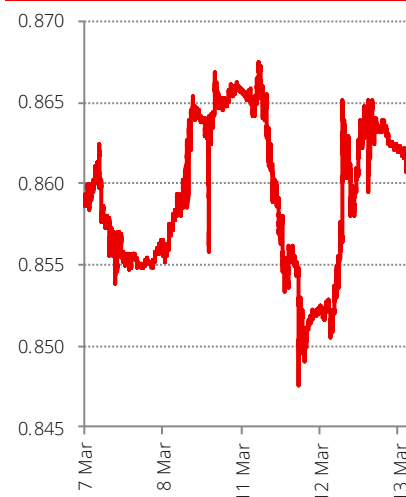
EURUSD rose third session in a row and has nearly managed to offset the plunge recorded after the last week's ECB meeting. Yesterday, the exchange rate rebounded to 1.13 from 1.124 which was partly due to the lower-than-expected US inflation release and despite higher tensions related to Brexit. After the UK parliament rejected the Brexit deal, EURUSD eased slightly.

Yesterday **EURPLN** was trading around 4.30 while USDPLN did not deviate much from 3.818 (only in the evening it temporarily broke below 3.81). In case of the other CEE currencies, the ruble was gaining vs the dollar thanks to rising oil price. The koruna lost and the forint appreciated slightly vs the euro. Today in the morning, the market sentiment is slightly negative.

On the **domestic interest rate market**, bond yields were hovering around Monday's closing levels. Abroad, the session was calm as well, although Treasuries gained somewhat after the below-consensus US CPI release.

According to the **GUS data on foreign trade**, in January exports rose 2.4% y/y and imports 0.1% y/y while we expected 5-6% y/y and 8% y/y, respectively. Foreign trade turnover of goods appeared much lower than we expected while the balance surprised to the upside. We assumed that after poor December caused by long holidays, in January exports and imports would revive noticeably. Broader trade data, including services, will be released on Monday by the central bank.

EURGBP exchange rate



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.3005	CZKPLN	0.1675
USDPLN	3.8116	HUFPLN*	1.3647
EURUSD	1.1282	RUBPLN	0.0581
CHFPLN	3.7809	NOKPLN	0.4412
GBPPLN	5.0065	DKKPLN	0.5765
USDCNY	6.7107	SEKPLN	0.4066

*for 100HUF

Last session in the FX market 12/03/2019

	min	max	open	close	fixing
EURPLN	4.296	4.305	4.301	4.299	4.2976
USDPLN	3.804	3.827	3.826	3.808	3.8116
EURUSD	1.124	1.130	1.124	1.129	-

Interest rate market 12/03/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.59	-1	7 lut 19	OK0521	1.493
PS0424 (5L)	2.20	-2	7 lut 19	PS0424	2.158
DS1029 (10L)	2.86	-1	7 lut 19	DS1029	2.820

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.65	-2	-0.22	0
2L	1.80	0	2.57	-3	-0.18	0
3L	1.85	0	2.50	-4	-0.10	-1
4L	1.93	-1	2.48	-4	-0.01	0
5L	2.03	2	2.48	-4	0.08	0
8L	2.24	2	2.55	-4	0.37	-1
10L	2.36	-1	2.62	-4	0.57	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.56	0
T/N	1.57	0
SW	1.56	0
2W	1.58	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	1.72	0
3x6	1.72	0
6x9	1.71	-1
9x12	1.72	1
3x9	1.79	0
6x12	1.79	0

Measures of fiscal risk

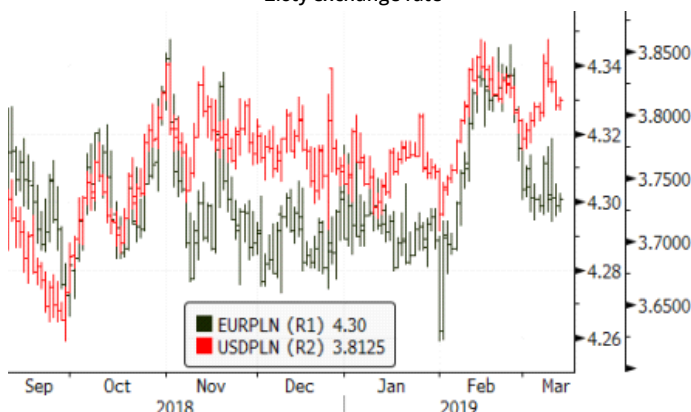
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.80 -2
France	31 0	0.41 -1
Hungary		3.14 -1
Spain	61 1	1.11 0
Italy	198 0	2.49 0
Portugal	70 0	1.27 -1
Ireland	36 1	0.65 -1
Germany	12 1	- -

* 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



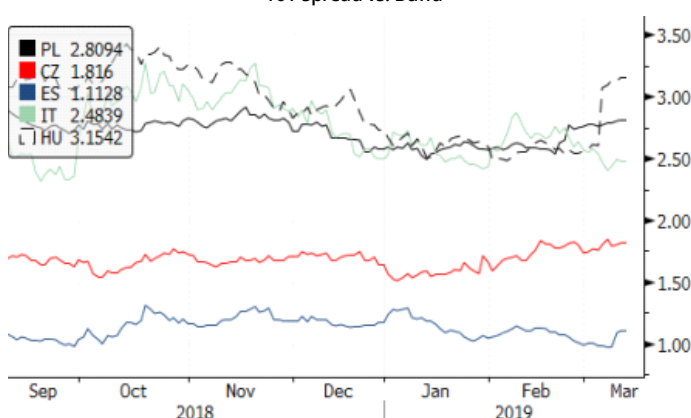
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (8 March)								
08:00	DE	Factory Orders	Jan	% m/m	0.5	-	-2.6	-1.6
09:00	HU	CPI	Feb	% y/y	2.9	-	3.1	2.7
14:30	US	Change in Nonfarm Payrolls	Feb	k	180.0	-	20.0	304.0
14:30	US	Housing Starts	Jan	% m/m	10.86	-	18.6	-11.2
14:30	US	Unemployment Rate	Feb	%	3.9	-	3.8	4.0
MONDAY (11 March)								
08:00	DE	Exports SA	Jan	% m/m	-0.5	-	0.0	1.5
08:00	DE	Industrial Production SA	Jan	% m/m	0.5	-	-0.8	-0.4
09:00	CZ	CPI	Feb	% y/y	2.6	-	2.7	2.5
13:30	US	Retail Sales Advance	Jan	% m/m	0.0	-	0.2	-1.6
TUESDAY (12 March)								
13:30	US	CPI	Feb	% m/m	0.2	-	0.1	0.0
WEDNESDAY (13 March)								
11:00	EZ	Industrial Production SA	Jan	% m/m	0.5	-		-0.9
13:30	US	Durable Goods Orders	Jan	% m/m	-0.8	-		1.2
THURSDAY (14 March)								
08:00	DE	HICP	Feb	% m/m	0.5	-		0.5
13:30	US	Initial Jobless Claims	week	k	225	-		223
15:00	US	New Home Sales	Jan	% m/m	1.04	-		3.7
FRIDAY (15 March)								
09:00	CZ	Industrial Production	Jan	% y/y	1.6	-		-1.4
10:00	PL	CPI	Feb	% y/y	1.2	1.2		0.9
11:00	EZ	HICP	Feb	% y/y	1.5	-		1.5
14:15	US	Industrial Production	Feb	% m/m	0.6	-		-0.58
15:00	US	Michigan index	Mar	pts	95.8	-		93.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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