

14 March 2019

Eyeopener

"No" to Hard Brexit

UK House of Commons voted against no-deal Brexit
 Zloty stable, EURUSD up a bit after European data, the pound strengthened
 Domestic stable despite losses on core markets
 Today UK parliament votes on the request to extend Article 50, more US data

One day after the UK parliament rejected PM May's Brexit deal, markets were exceptionally calm. Investors anticipated such outcome after the UK Attorney General said that the last tweaks to the deal did not assure the UK could unilaterally exit the backstop. Even the comment of the EU's chief negotiator that UK will have to justify any demand for Brexit date extension did not cause increased market tension yesterday. Data from the euro zone and USA surprised to the upside, which could have contributed to a slight rebound on the stock markets after their morning decline. Data about Chinese production and today's CPI number from Germany surprised negatively, while the crude oil price continued to rise, reaching its highest level in four months.

The **UK House of Commons voted against a no-deal Brexit**. Thus, today the MPs will vote on a delay of the Brexit date. PM Theresa May suggested a relatively short period of three months and she wants to conduct the meaningful vote for the third time (by the end of March). Still, the debate may result in other proposals, leading to a larger delay in Brexit.

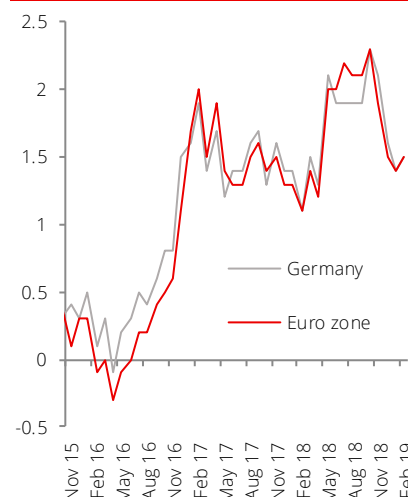
Yesterday **EURUSD** continued the upward move initiated on Friday and approached 1.132. The single currency was supported by better-than-expected industrial output data and more sanguine global moods.

On Wednesday **EURPLN** was moving in a narrow band around 4.30, while USDPLN approached 3.80. As regards other CEE currencies, the forint was still gaining thanks to expectations for monetary policy normalisation in Hungary at the upcoming March meeting. The ruble was supported by higher oil prices. Higher volatility of EURPLN in the first half of February proved to be temporary. This week, we got to see a really narrow max-min margin in EURPLN quotations, the lowest since March 1997.

On **the domestic interest rate market** bond yields and IRS did not change much despite weakening in core debt markets and positive data abroad. Polish 5Y bonds have already trimmed a half, and 10Y bonds a third of the losses incurred after the presentation of PiS election promises, and then stabilised. In case of IRS, the belly and long end of the curve trimmed around half of the move from mid-February. Lack of steam for further strengthening could result from stopping a downward trend of yields in core markets. Tomorrow we will see data about Polish inflation, which should not surprise much, in our view. Apart from Brexit news, at the end of the week the key information will be the US data releases, which could influence core debt markets.

According to **Fitch rating agency**, in the next five years potential pace of Poland GDP growth would amount to 2.6% y/y on average, while in the March economic projections the NBP revised its estimates up to 3.4-3.6% for 2019-2021. According to the agency, deteriorating demography will curb the GDP growth. Fitch does not assume the participation rate could rise in the years to come due to the lower retirement age and higher social transfers, which is in contrast to Poland's central bank that expects it to rise systematically. On March 29, Fitch could review Poland credit rating, currently at "A-" with stable outlook.

Inflation, %y/y



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.3018	CZKPLN	0.1676
USDPLN	3.7984	HUFPLN*	1.3667
EURUSD	1.1325	RUBPLN	0.0581
CHFPLN	3.7850	NOKPLN	0.4435
GBPPLN	5.0458	DKKPLN	0.5766
USDCNY	6.7165	SEKPLN	0.4088

*for 100HUF

Last session in the FX market 13/03/2019

	min	max	open	close	fixing
EURPLN	4.296	4.303	4.299	4.301	4.3006
USDPLN	3.799	3.815	3.808	3.805	3.8077
EURUSD	1.128	1.132	1.129	1.130	-

Interest rate market 13/03/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.60	1	7 lut 19	OK0521	1.493
PS0424 (5L)	2.21	1	7 lut 19	PS0424	2.158
DS1029 (10L)	2.85	-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	1.73	0	2.65	1	-0.22	0
2L	1.80	0	2.58	1	-0.18	0
3L	1.85	1	2.51	1	-0.10	0
4L	1.93	1	2.49	1	-0.01	0
5L	2.03	1	2.48	1	0.09	0
8L	2.24	0	2.56	0	0.38	1
10L	2.37	1	2.62	0	0.58	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	0
9x12	1.72	0
3x9	1.79	0
6x12	1.79	0

Measures of fiscal risk

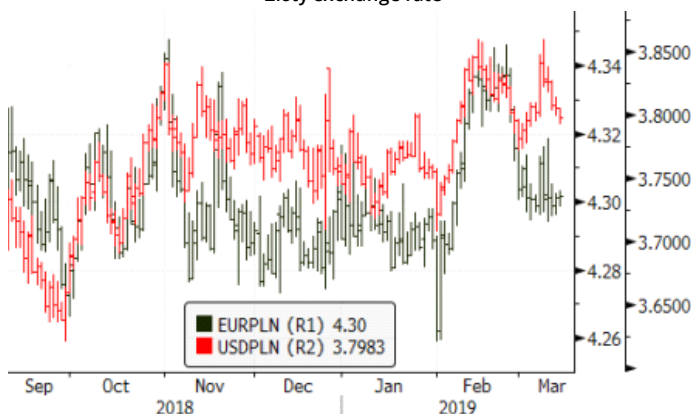
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.77 -3
France	31 -1	0.39 -1
Hungary		3.13 -1
Spain	61 -1	1.11 -1
Italy	197 -2	2.47 -1
Portugal	69 0	1.27 -1
Ireland	36 0	0.62 -1
Germany	12 1	- -

* 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



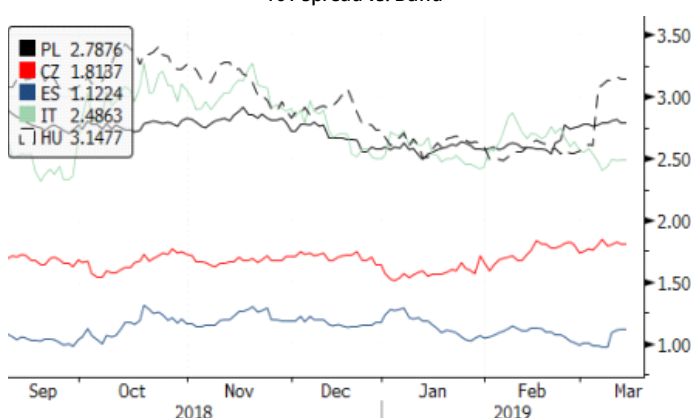
T-bonds yields



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	-	1.4	-0.9
13:30	US	Durable Goods Orders	Jan	% m/m	-0.8	-	0.4	1.3
THURSDAY (14 March)								
08:00	DE	HICP	Feb	% m/m	0.5	-	0.5	0.5
13:30	US	Initial Jobless Claims	week	k	225	-		223
15:00	US	New Home Sales	Jan	% m/m	0.2	-		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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