

31 May 2019

Eyeopener

Trump pushes yields down

Zloty and CEE currencies gained despite stronger USD

Polish yields go down further

Trump threatens more tariffs

Today next US data

After the Wednesday swings of mood, Thursday trading looked quite calm. European equities rebounded, which positively affected emerging market currencies, while core market bonds gave back part of recent gains. Only the appreciating dollar did not fit in the risk-on picture. The dollar gained vs the euro, the yen, the Swiss franc and the British pound in the European trading hours. At night Donald Trump threatened to charge a 5% tariff on Mexican goods for as long as the Mexican government cannot handle the illegal migration to the USA. This caused a decline of US bond yields and made the dollar even stronger. This morning UST10Y was traded with a yield of 2.18%, the lowest since September 2018, while DE10Y at -0.20%, the lowest since July 2016. The US data were close to expectations and did not influence markets..

Minutes of the May MPC meeting showed no major changes in the Council's bias, despite recent comments of central bankers questioning the forward guidance to keep rates unchanged until the end of the current term. The Council still views current level of interest rates appropriate for maintaining stable economic growth. Assessment of inflation expectations was an important part of the document. Despite a major rise in inflation, central bankers do not see a change in companies' or households' expectations on future prices growth. The recent spike in CPI is regarded as caused by factors not affected by the domestic monetary policy and the rebound in core inflation was blamed on abating one-off effects and favourable business cycle. On the other hand, the MPC members stressed that wage growth weakened despite the labour market squeeze.

EURUSD moved yesterday morning around 1.113, and fell temporarily to 1.111 as trading started in the USA. The yesterday session was rather calm and the pace of USD appreciation dropped, US data did not make investors think of changing the direction of the EURUSD market. Only at night, the declaration of Donald Trump supported the dollar, and pushed EURUSD to 1.1120. Today further data are expected in the USA that could show positive sentiment among consumers, which together with the Trump's statement should put a mild negative pressure on EURUSD

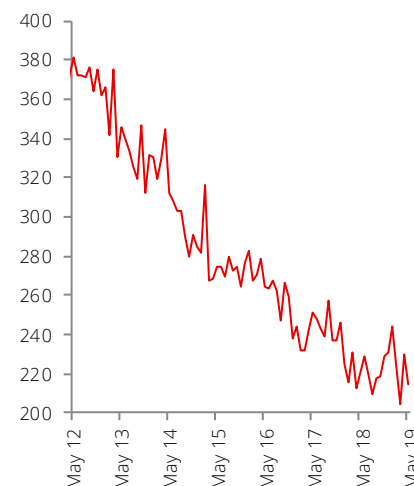
EURPLN fell for the second day in a row, to 4.285, while USD was hovering around 3.85. The zloty benefitted from rebound on the European bourses and did not react to the stronger greenback. Today EURPLN is climbing after comment of the US President. Other CEE currencies also gained somewhat yesterday.

On the domestic interest rate market IRS and bond yields fell by no more than 2bp. Polish bonds resisted the pressure of weakening core and euro zone peripheral debt. We expect domestic yields to start to decline since early morning today as the core bonds gained at night in response to the Donald Trump comment to impose tariffs on the Mexican goods. Final Poland 1Q GDP shall not have meaningful impact on the domestic debt.

Today at 10:00CET Poland detailed 1Q GDP data will be released. Flash reading showed 4.6% y/y. The recent data from companies and local governments suggest that investments might have been stronger than we expected. We think the net exports had a positive contribution to the growth.

Yesterday we released our May [MACROscope Lite](#) where we write shortly how our GDP forecasts changed and what we expect on the Polish FX and FI markets in the coming weeks.

US Initial Jobless claims



Source: Bloomberg, Santander

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 Luziński +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	4.2921	CZKPLN	0.1661
USDPLN	3.8544	HUFPLN*	1.3210
EURUSD	1.1135	RUBPLN	0.0590
CHFPLN	3.8312	NOKPLN	0.4387
GBPPLN	4.8603	DKKPLN	0.5748
USDCNY	6.9061	SEKPLN	0.4039

*for 100HUF

Last session in the FX market 30/05/2019

	min	max	open	close	fixing
EURPLN	4.286	4.297	4.295	4.289	4.2919
USDPLN	3.848	3.860	3.858	3.852	3.8548
EURUSD	1.112	1.114	1.113	1.114	-

Interest rate market 30/05/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0521 (2L)	1.62	0	21 mar 19	OK0521	1.633
PS0424 (5L)	2.13	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.71	-1	21 mar 19	DS1029	2.877

IRS on the interbank market**

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.74	0	2.37	2	-0.27	0
2L	1.80	0	2.14	3	-0.26	0
3L	1.85	0	2.06	3	-0.22	0
4L	1.91	0	2.05	3	-0.16	0
5L	1.98	0	2.06	3	-0.08	0
8L	2.17	-1	2.14	3	0.18	0
10L	2.30	0	2.21	3	0.36	0

WIBOR rates

Term	%	Change (bps)
O/N	1.54	13
T/N	1.56	-1
SW	1.57	0
2W	1.60	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.86	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.72	0
3x6	1.72	0
6x9	1.73	0
9x12	1.73	0
3x9	1.79	0
6x12	1.80	0

Measures of fiscal risk

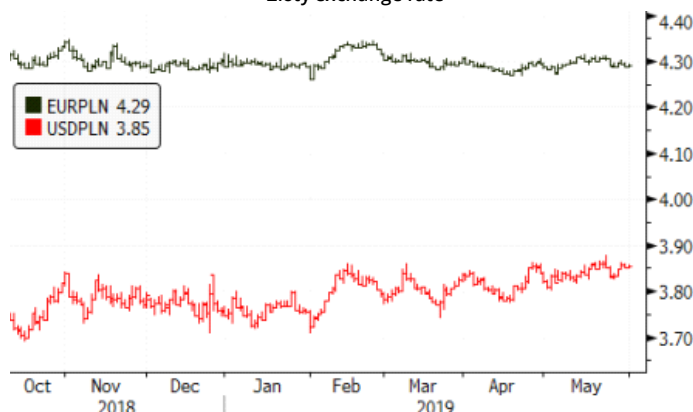
Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.91	1
France	31	0	0.42	1
Hungary			3.25	3
Spain	56	-2	0.96	3
Italy	227	-1	2.92	9
Portugal	63	-1	1.06	2
Ireland	33	1	0.63	1
Germany	12	1	-	-

* 10Y treasury bonds over 10Y Bunds

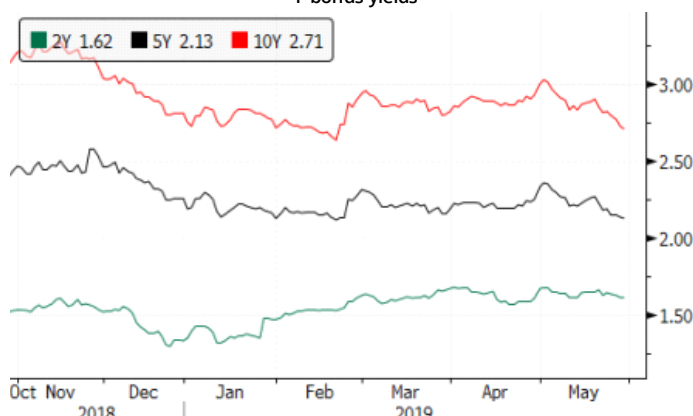
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

Zloty exchange rate



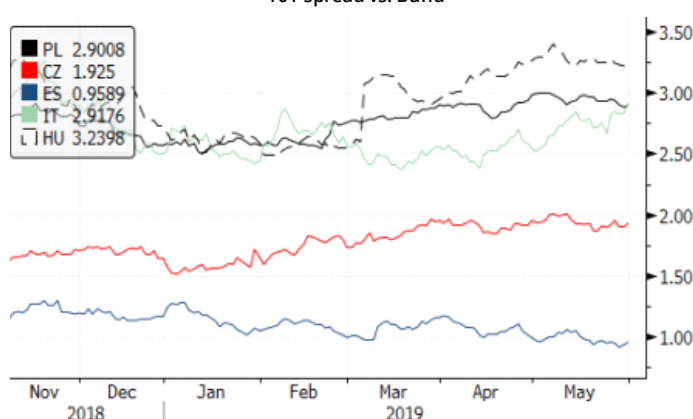
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar								
TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (24 May)								
14:00	PL	Money Supply M3	Apr	% y/y	10.1	10.2	10.4	9.9
14:30	US	Durable Goods Orders	Apr	% m/m	-2.0	-	-2.1	2.6
MONDAY (27 May)								
10:00	PL	Unemployment Rate	Apr	%	5.6	5.6	5.6	5.9
TUESDAY (28 May)								
11:00	EZ	ESI	May	pct.	103.9	-	105.1	103.9
14:00	HU	Central Bank Rate Decision		%	0.9	-	0.9	0.9
16:00	US	Consumer Conference Board	May	pts	130.0	-	134.1	129.2
WEDNESDAY (29 May)								
		No important events						
THURSDAY (30 May)								
14:30	US	GDP Annualized	1Q	% q/q	3.0	-	3.1	3.2
14:30	US	Initial Jobless Claims	week	k	215	-	215	212
16:00	US	Pending Home Sales	Apr	% m/m	0.5	-	-1.5	3.9
FRIDAY (31 May)								
08:00	DE	Retail Sales	Apr	% m/m	0.1	-	-2.0	0.0
09:00	CZ	GDP SA	1Q	% y/y	2.5	-		2.5
09:00	HU	GDP	1Q	% y/y	5.3	-		5.3
10:00	PL	GDP	1Q	% y/y	4.6	4.6		4.9
14:00	DE	HICP	May	% m/m	0.3	-		1.0
14:30	US	Personal Spending	Apr	% m/m	0.2	-		0.9
14:30	US	Personal Income	Apr	% m/m	0.3	-		0.1
14:30	US	PCE Deflator SA	Apr	% m/m	0.3	-		0.2
16:00	US	Michigan index	May	pts	101.5	-		102.4

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.