

13 June 2019

# Eyeopener

## Zloty strongest since August

Zloty strongest since August 2018 vs euro  
NBP governor suggests higher chances for rate cuts than hikes  
Polish debt benefits from Fed rate cut pricing  
Today Polish balance of payments data

On Wednesday, the US inflation data was released and it surprised to the downside. Stock indexes were falling, which helped to push yields of core and domestic bonds down. Despite this EURUSD, stayed relatively stable for the most of the day, while EURPLN was fallig. The oil prices dropped owing to the data showing crude oil inventories rose in the US. On the domestic front, it was worth paying attention to the article by the governor of the National Bank of Poland and the progress regarding the law on the freezing of energy prices.

**NBP governor Adam Glapiński** published an article in the "Global Public Investor 2019", in which he pointed out that conservative monetary (central bank rates above zero) and fiscal policy (falling path of the debt/GDP ratio) give a room to accommodate a meaningful external shock. The governor also stressed that the global environment could deteriorate in the coming years. He underlined that strong economic growth in Poland has not generated any economic imbalances or inflation so far. In our opinion, the statement opens the door for the central bank to suggest that rate cuts are more likely than hikes.

Polish Parliament Energy Committee, approved in the first reading a draft of the **bill of the energy prices**. According to the draft, energy prices for the households, local governments, hospitals, and small and micro companies will be frozen at the June 2018 level. Medium and big companies will be charged at market prices since 1 of July 2019 and then will be eligible to apply for a state compensation based on the de minimis rule. In our opinion, the part of the strong pro-inflationary impact on the energy prices will be neutralized by falling coal prices (by half since December 2018). However, the high prices of carbon emission allowance will work in the opposite direction.

**EURUSD** was long stable around 1.132 and only at very end of the Polish session the dollar started to appreciate and the exchange rate fell to 1.128. Investors ignored the fact that the US headline and core inflation were below expectations. Today we think the dollar may gain amid down correction of the Asia and European stock indexes.

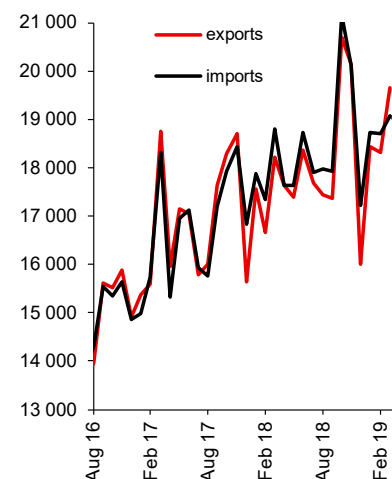
**EURPLN** fell to 4.252 from 4.263 in response to the stronger drop of the USD FRAs (that are currently fully pricing in the 50bp Fed rate cut in the next 6 months). As a result, the exchange rate reached its lowest since August 2018. The zloty was one of the few CEE currencies that gained yesterday. Today at the opening European stock indexes are falling slightly so the zloty appreciation could decelerate somewhat.

**In the case of CEE currencies**, EURHUF rose to 321.9 from 321 due to the release of the May central bank meeting minutes that showed the accommodative monetary policy could continue. EURCZK eased to 25.58 (its lowest since January) from 25.61 still being driven by the higher-than-expected CPI and market pricing rate cuts in the US. USDRUB rose to 64.7 from 64.5 amid falling oil price.

On Wednesday **on the interest rate market**, yields were falling for the better part of the day in response to the cheaper oil price and the declining USD IRS and FRA rates. As a result, the Polish bond curve shifted 3-5bp down in the 5-10Y tenor and remained stable on the front end. Domestic IRS rates fell half the yields move leading to further narrowing of the asset swap spreads. The 10Y and 5Y spreads reached their lowest since February. Today we expect yields to move down amid poor opening of the European stock market.

**Today at 14:00CET** the central bank will release Poland April balance of payments data. We forecast Polish exports and imports reaccelerated after the March slowdown. April industrial output surprised to the upside after it had recorded its highest y/y growth since July 2018, even though, German exports disappointed strongly in April. The boost of Polish retail sales should help imports to rebuilt after a sharp deceleration in March. All in all, the C/A balance improved further, in our view, and recorded a nearly €1bn surplus in April. However, the GUS data released earlier this week signalled that our forecast of the trade turnover and C/A balance may be set too high.

### Foreign trade turnover, EURm



Source: NBP, Santander

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## FX market

### Today's opening

EURPLN	4.2561	CZKPLN	0.1664
USDPLN	3.7670	HUFPLN*	1.3210
EURUSD	1.1298	RUBPLN	0.0582
CHFPLN	3.7860	NOKPLN	0.4356
GBPPLN	4.7779	DKKPLN	0.5699
USDCNY	6.9160	SEKPLN	0.3978

\*for 100HUF

### Last session in the FX market 12/06/2019

	min	max	open	close	fixing
EURPLN	4.253	4.266	4.263	4.257	4.265
USDPLN	3.756	3.771	3.763	3.768	3.763
EURUSD	1.129	1.134	1.133	1.130	-

## Interest rate market 12/06/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0521 (2L)	1.60	0	21 mar 19	OK0521	1.633
PS0424 (5L)	2.01	-1	21 mar 19	PS0424	2.209
DS1029 (10L)	2.49	-4	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	1.72	0	2.15	-3	-0.29	0
2L	1.76	-2	1.93	-4	-0.31	-1
3L	1.78	-1	1.86	-4	-0.28	-1
4L	1.83	-2	1.86	-4	-0.23	-1
5L	1.89	-2	1.88	-4	-0.15	-1
8L	2.06	-3	2.01	-3	0.10	0
10L	2.17	-3	2.09	-2	0.28	0

### WIBOR rates

Term	%	Change (bps)
O/N	1.55	0
T/N	1.55	0
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	1.72	1
9x12	1.69	-1
3x9	1.79	0
6x12	1.78	0

### Measures of fiscal risk

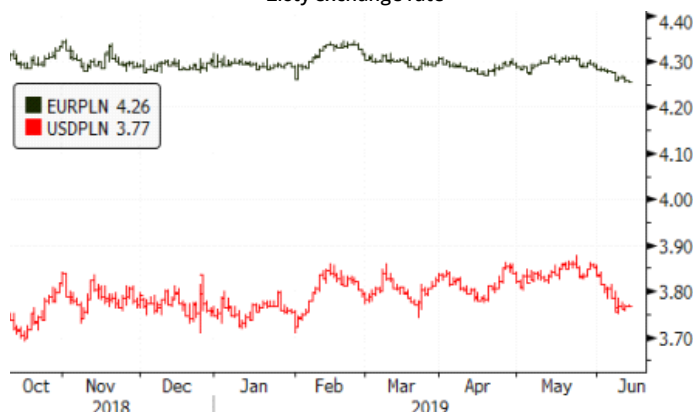
Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.73	-3
France	29	1	0.35	0
Hungary			3.07	1
Spain	44	3	0.81	0
Italy	222	2	2.68	1
Portugal	52	0	0.89	0
Ireland	29	2	0.54	0
Germany	12	0	-	-

\* 10Y treasury bonds over 10Y Bunds

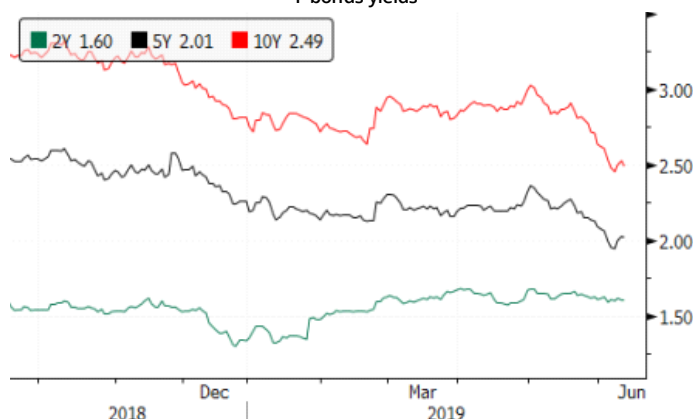
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

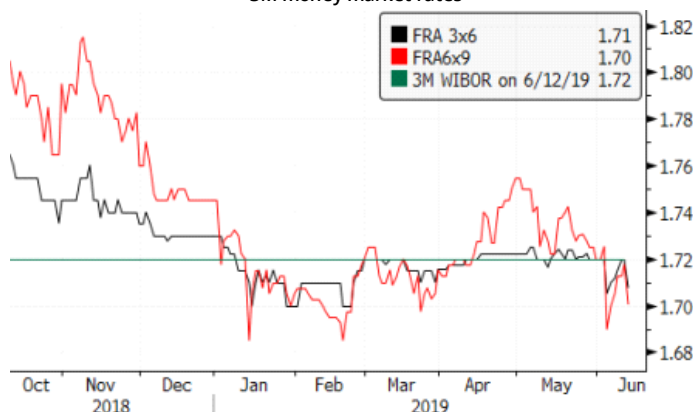
## Zloty exchange rate



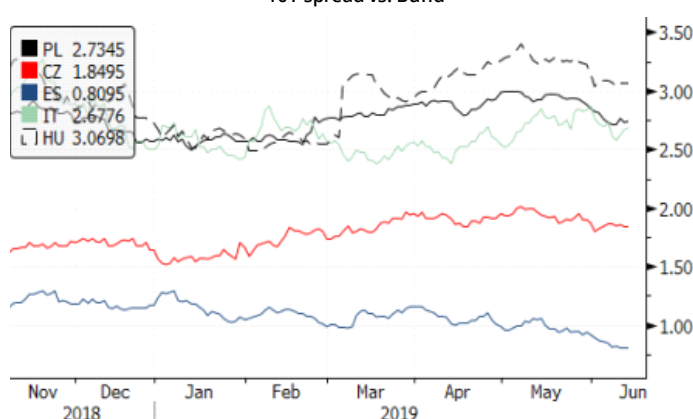
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (7 June)								
08:00	DE	Exports SA	Apr	% m/m	-0.9	-	-3.7	1.6
08:00	DE	Industrial Production SA	Apr	% m/m	-0.5	-	-1.9	0.5
09:00	HU	CPI	May	% y/y	3.9	-	3.9	3.9
14:30	US	Change in Nonfarm Payrolls	May	k	180	-	75	224
14:30	US	Unemployment Rate	May	%	3.6	-	3.6	3.6
MONDAY (10 June)								
No important events								
TUESDAY (11 June)								
09:00	CZ	CPI	May	% y/y	2.8	-	2.9	2.8
WEDNESDAY (12 June)								
14:30	US	CPI	May	% m/m	0.1	-	0.1	0.3
THURSDAY (13 June)								
11:00	EZ	Industrial Production	Apr	% m/m	-0.2	-		-0.3
14:00	PL	Current Account Balance	Apr	€mn	595	944		533
14:00	PL	Trade Balance	Apr	€mn	425	499		589
14:00	PL	Exports	Apr	€mn	19 517	19 430		19 654
14:00	PL	Imports	Apr	€mn	19 104	18 931		19 065
14:30	US	Initial Jobless Claims	week	k	215	-		218
FRIDAY (14 June)								
10:00	PL	CPI	May	% y/y	2.3	2.3		2.2
14:30	US	Retail Sales Advance	May	% m/m	0.6	-		-0.2
15:15	US	Industrial Production	May	% m/m	0.2	-		-0.5
16:00	US	Flash Michigan index	Jun	pts	97.0	-		100.0

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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