

12 July 2019

Eyeopener

CEE currencies stable

ECB ready to ease monetary policy

Dollar gains after US data

CEE currencies stable

Bond yield rise

Today, euro zone industrial output

On Thursday, the data released in the USA (core inflation, new jobless claims) somehow cooled down expectations for monetary easing that have intensified the day before after the Fed president's testimony and FOMC minutes. The change of expectations regarding monetary policy outlook was not dramatic, though, as Jerome Powell, who was testifying in Senate this time, maintained a dovish rhetoric and readiness to act if necessary. Inflation data from Germany and France were in line with expectations, while the minutes of ECB June meeting revealed that the policymakers agreed about the need to prepare for further policy easing either through deeper interest rate cuts or restarting the assets purchases. Despite that, yields in the core debt markets rose for the second day in a row, which could have been triggered by the supply of new UST. As a result, core market bonds weakened, dollar initially gained but then lost against euro, and stock markets continued rising.

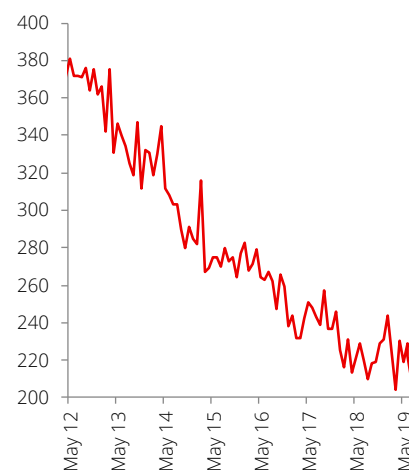
EURUSD, after a rise above 1.128 in the first part of the day, quickly retreated towards the opening level after the release of better-than-expected US data. In the afternoon, the exchange rate was near 1.126. In today's calendar there are not key data releases that could significantly change the situation, so unless there are new comments of Fed members or US administration officials, the rate should stabilise, awaiting new vital data releases after the weekend.

EURPLN rose slightly during the day, to c.4.27, which was supported in the afternoon by stronger dollar. **Other CEE currencies** remained quite stable: EURHUF was hovering near 325.7, EURCZK close to 25.6. USDRUB declined further, to 62.8. Today we do not expect to see the impulse that could end the current stabilisation of regional currencies. At the opening of European stock market session indices are rising slightly, which may help EURPLN to stay below this week's peak 4.275.

In the debt markets yields were increasing, despite still dovish message from the Fed and the signal about ECB's readiness to ease monetary policy. Yields of Polish bonds moved up by 4-5bp, quite closely following German Bunds, while US Treasury yields did only half of this move. IRS rates increased as well, by 1-3bp (more at the long end of the curve). We think that the yield's up correction on the global debt markets could last a bit more, which could in turn at least slow Polish yields down move. The 10Y spread against Bund is currently near 250bp and is at its lowest since January 2019.

At the yesterday's switch auction the Ministry of Finance bought back bonds worth PLN4.68bn and issued debt worth PLN4.74bn. The Ministry informed that after the auction this year's borrowing needs are financed in 78%, taking into account the plan from the Budget Act.

US weekly initial jobless claims (k)



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2671	CZKPLN	0.1667
USDPLN	3.7867	HUFPLN*	1.3102
EURUSD	1.1269	RUBPLN	0.0603
CHFPLN	3.8300	NOKPLN	0.4441
GBPPLN	4.7485	DKKPLN	0.5715
USDCNY	6.8729	SEKPLN	0.4043

*for 100HUF

Last session in the FX market 11/07/2019

	min	max	open	close	fixing
EURPLN	4.264	4.271	4.268	4.267	4.2682
USDPLN	3.781	3.795	3.791	3.791	3.7859
EURUSD	1.125	1.129	1.126	1.125	-

Interest rate market 11/07/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0721 (2L)	1.55	-1	21 mar 19	OK0521	1.633
PS0424 (5L)	1.89	4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.27	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	2.07	0	-0.39	0
2L	1.74	2	1.89	2	-0.39	0
3L	1.75	1	1.84	3	-0.35	1
4L	1.79	2	1.84	4	-0.28	2
5L	1.84	3	1.86	5	-0.20	2
8L	1.98	4	1.97	6	0.06	4
10L	2.05	4	2.05	6	0.22	5

WIBOR rates

Term	%	Change (bps)
O/N	1.54	0
T/N	1.55	0
SW	1.58	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	1.71	0
9x12	1.70	1
3x9	1.79	0
6x12	1.78	1

Measures of fiscal risk

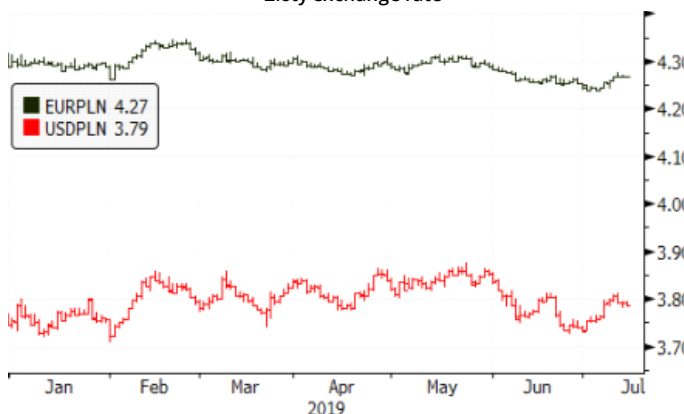
Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.49	3
France	23	-1	0.24	0
Hungary			2.64	-2
Spain	39	-1	0.69	-1
Italy	167	-6	1.92	-1
Portugal	37	-1	0.78	-1
Ireland	28	0	0.43	0
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

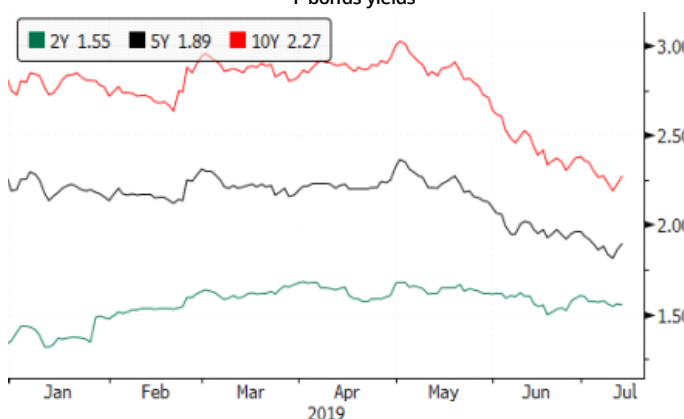
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

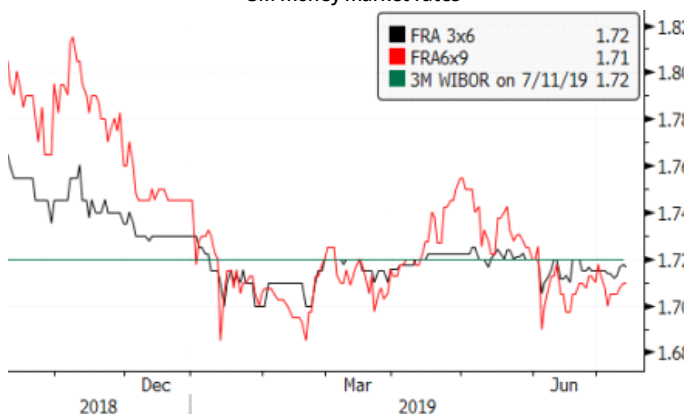
Zloty exchange rate



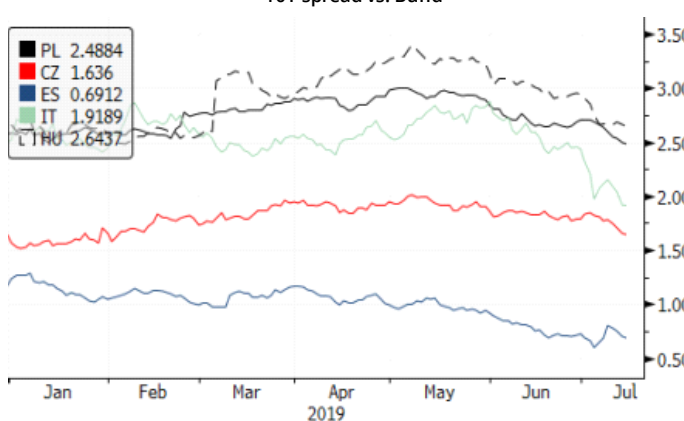
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic Calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
FRIDAY (5 July)								
08:00	DE	Factory Orders	May	% m/m	-0.2	-	-2.2	0.3
09:00	HU	Industrial Production SA	May	% y/y	4.9	-	6.1	6.0
14:30	US	Change in Nonfarm Payrolls	Jun	k	160	-	224	75.0
14:30	US	Unemployment Rate	Jun	%	3.6	-	3.7	3.6
MONDAY (8 July)								
08:00	DE	Exports SA	May	% m/m	1.6	-	1.1	-3.7
08:00	DE	Industrial Production SA	May	% m/m	0.5	-	0.3	-2.0
09:00	CZ	Industrial Production	May	% y/y	1.0		3.2	3.3
09:00	PL	Inflation Report						
TUESDAY (9 July)								
09:00	HU	CPI	Jun	% y/y	3.6	-	3.4	3.9
WEDNESDAY (10 July)								
20:00	US	FOMC Meeting Minutes						
THURSDAY (11 July)								
08:00	DE	HICP	Jun	% m/m	0.1	-	0.3	0.1
09:00	CZ	CPI	Jun	% y/y	2.7	-	2.7	2.9
14:30	US	CPI	Jun	% m/m	0.0	-	0.1	0.1
14:30	US	Initial Jobless Claims	week	k	222	-	209	222
FRIDAY (12 July)								
11:00	EZ	Industrial Production	May	% m/m	-0.1	-		-0.5

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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