

30 July 2019

Eyeopener

The Brexit issue comes back

S&P raised Poland's growth forecast
Zloty and other CEE fx weakened
Domestic bond yields moved higher
Today many releases in the USA, ESI indicators

The beginning of the Monday session was dominated by a rather negative sentiment, because Asian investors worried that the Hong Kong riots could influence region's economic situation. However later a slight optimism was seen connected to imminent reassumption of trade talks between the US and China (negotiators will meet today and tomorrow). That optimism is also present in moderate gains on today's Asian session. Donald Trump once again criticized the Fed, saying that it "has made all of the wrong moves" and that "small rate cut is not enough". The market did not react to these words. The Bank of Japan has not introduced any changes in the parameters of its monetary policy and is still communicating that it will keep rates at a very low level at least until spring 2020.

New British PM, Boris Johnson, said that he is prepared to **make the UK leave the EU with no deal**. That comment stroke the pound, GBPUSD declined from 1.24 at the opening to 1.224 at the end of the day. UK 10Y yield fell to 0.63% - the lowest level since 2016. Earlier, Johnson said that his condition for signing the contract was no backstop clause. It looks like the new prime minister wants to create a harder negotiating position, which may mean increased volatility for British assets.

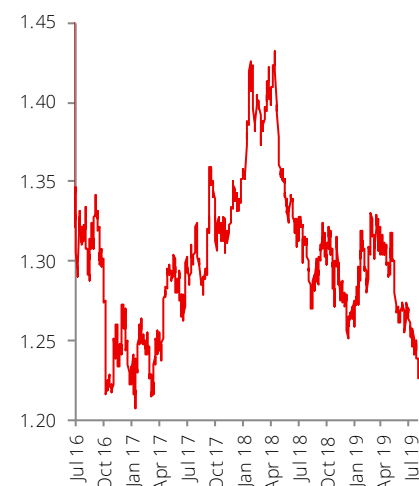
S&P raised Polish GDP growth forecast in 2019 to 4.1% y/y from 3.9% y/y. 2020 expectations remained the same, 3.1% y/y. The company still assumes that this year's general government deficit will amount to 1.5% GDP and in the next three years to 2.6% GDP. According to the analysts, the upward revision (currently A- with a stable outlook) could be caused by: 1) faster real income growth than in other countries without generation of external imbalances, 2) budget surpluses, 3) private savings growth, for example from the PPK, reducing the future burden of the state budget resulting from the aging of society.

On Monday **the zloty** was weakening, EURPLN grew from 4.273 at the opening to almost 4.29 at the end of the session. The zloty still suffered due to the disappointing result of the Thursday ECB meeting and the strong US Friday data. The rest of CEE currencies were also losing – EURHUF rose to 327.7 from 327.0, EURCZK to 25.65 from 25.57, and USDRUB to 63.55 from 63.3.

Yesterday **EURUSD** fluctuated around 1.113. In the absence of important data, the market was waiting for Wednesday's Fed meeting.

On the **domestic interest rates market**, yields continued to grow because of the outcome of ECB's last Thursday meeting. Domestic yield curve was stable at the short end, while the long end moved up by 3 bp. The movement of the IRS curve was similar. In our opinion, the market should start stabilising ahead of the Fed meeting, unless inflation data from the US and Germany and data on US consumer spending do not surprise to the upside – which could drive global yields higher.

GBPUSD exchange rate



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2883	CZKPLN	0.1672
USDPLN	3.8503	HUFPLN*	1.3079
EURUSD	1.1138	RUBPLN	0.0607
CHFPLN	3.8808	NOKPLN	0.4420
GBPPLN	4.6799	DKKPLN	0.5743
USDCNY	6.8901	SEKPLN	0.4043

*for 100HUF

Last session in the FX market 29/07/2019

	min	max	open	close	fixing
EURPLN	4.261	4.298	4.267	4.288	4.2773
USDPLN	3.833	3.854	3.841	3.849	3.8453
EURUSD	1.111	1.114	1.113	1.114	-

Interest rate market 29/07/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0721 (2L)	1.52	0	21 mar 19	OK0521	1.633
PS1024 (5L)	1.79	4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.14	4	21 mar 19	DS1029	2.877

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.06	-2	-0.41	1
2L	1.74	1	1.87	-2	-0.44	0
3L	1.74	1	1.81	-2	-0.42	0
4L	1.77	1	1.79	-2	-0.38	0
5L	1.80	1	1.80	-2	-0.32	0
8L	1.92	2	1.90	-3	-0.10	-1
10L	1.99	3	1.97	-3	0.05	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.56	-4
T/N	1.56	-4
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	1.71	0
6x9	1.71	0
9x12	1.69	0
3x9	1.78	0
6x12	1.77	0

Measures of fiscal risk

Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.53 4
France	20 0	0.25 0
Hungary		2.63 6
Spain	38 2	0.75 0
Italy	160 2	1.97 1
Portugal	40 1	0.81 0
Ireland	28 2	0.54 3
Germany	11 -1	- -

* 10Y treasury bonds over 10Y Bunds

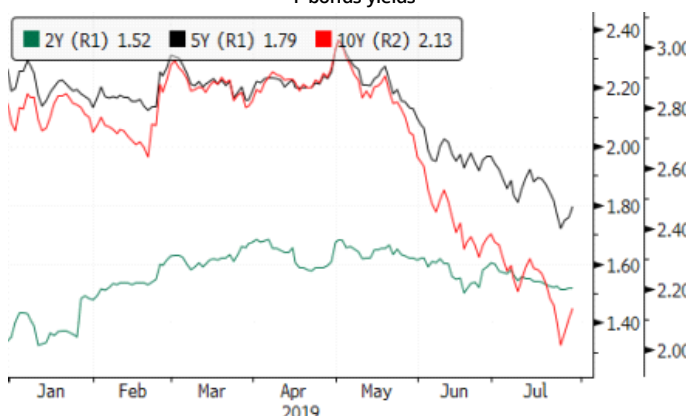
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

Zloty exchange rate



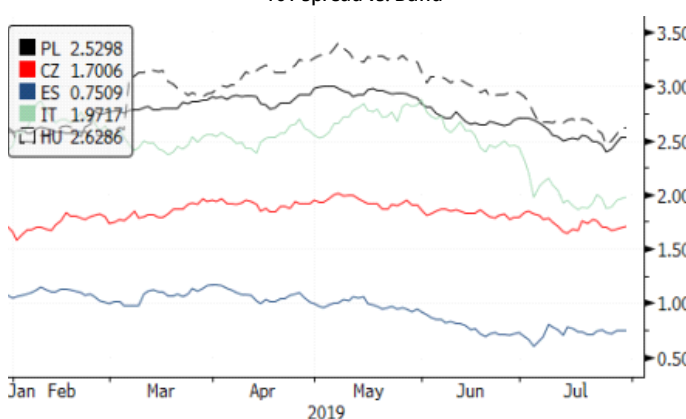
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER		
CET						VALUE	VALUE*
FRIDAY (26 July)							
14:30	US	GDP Annualized	2Q % Q/Q	1.8	-	2.1	3.1
MONDAY (29 July)							
No important data releases							
TUESDAY (30 July)							
11:00	EZ	ESI	Jul pct.	103.0	-		103.3
14:00	DE	HICP	Jul % m/m	0.3	-		0.3
14:30	US	Personal Spending	Jun % m/m	0.3	-		0.4
14:30	US	Personal Income	Jun % m/m	0.3	-		0.5
14:30	US	PCE Deflator SA	Jun % m/m	0.1	-		0.2
16:00	US	Consumer Conference Board	Jul pts	125.0	-		121.5
16:00	US	Pending Home Sales	Jun % m/m	0.35	-		1.1
WEDNESDAY (31 July)							
10:00	PL	Flash CPI	Jul % y/y	2.6	2.7		2.6
11:00	EZ	Flash HICP	Jul % y/y	1.15	-		1.2
11:00	EZ	GDP SA	2Q % y/y	1.0	-		1.2
11:00	EZ	Unemployment Rate	Jun %	7.5	-		7.5
14:15	US	ADP report	Jul k	150	-		102
20:00	US	FOMC decision	%	2.25	-		2.50
THURSDAY (1 August)							
09:00	PL	Poland Manufacturing PMI	Jul pts	-	49.0		48.4
09:55	DE	Germany Manufacturing PMI	Jul pts	43.1	-		43.1
10:00	EZ	Eurozone Manufacturing PMI	Jul pts	46.4	-		46.4
13:00	CZ	Central Bank Rate Decision	%	2.0	-		2.0
14:30	US	Initial Jobless Claims	week k	218	-		206
16:00	US	ISM manufacturing	Jul pts	52.0	-		51.7
FRIDAY (2 August)							
11:00	EZ	Retail Sales	Jun % m/m	0.0	-		-0.3
14:30	US	Change in Nonfarm Payrolls	Jul k	160	-		224
14:30	US	Unemployment Rate	Jul %	3.7	-		3.7
16:00	US	Michigan index	Jul pts	98.5	-		98.4
16:00	US	Durable Goods Orders	Jun % m/m	0.7	-		2.0
16:00	US	Factory Orders	Jun % m/m	0.6	-		-0.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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