

6 August 2019

Eyeopener

German data above consensus

Risk aversion at the beginning of the week
 EURPLN above 4.32 for a while, USDPLN down
 Polish and foreign bonds gain
 German data beat expectations, Czech disappoint

On Monday the trade was driven by news incoming from the trade wars front. After the Donald Trump decided to impose new tariffs on China, the Chinese suggested they will take retaliatory actions, yet these were not outlined. Overnight the Chinese representatives announced that they halted purchases of US agriculture products. Yuan reacted to this escalation of conflict with a weakening to over 7 per dollar (the weakest level since 2008). This invigorated Donald Trump to call China a currency manipulator (and the country was officially given this token by the US administration). Rising tensions undermined demand for risky assets – equity, commodities and EM currencies lost, while bonds gained. Today at the opening the mood is somewhat better than yesterday. Morning data on German factory orders in June showed a surprising rise in m/m terms, the strongest since August 2017.

The NBP credit survey showed that in 3Q19 banks are planning to tighten credit policies for companies and households. The banking sector is also expecting higher demand for credit from households and a steady demand from firms. In 2Q19 banks have tightened criteria for consumer loans given rising NPLs and deteriorating expectations about future economic situation. Criteria for companies also were tightened somewhat, mostly for long-term loans. Also mortgage credit conditions were tightened, as they saw rising margins and non-interest costs.

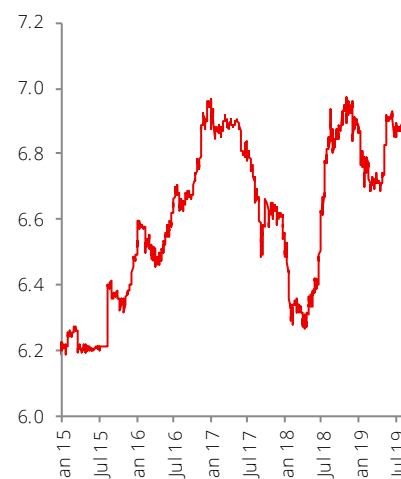
Yesterday the dollar weakened due to impact of the Sino-US conflict. EURUSD climbed to 1.125 during the night from 1.112 at the start of the day. The euro strengthening was not halted by weaker-than-expected PMI for services. Today at the start of the day, the exchange rate is close to 1.12 but after the positive release of German factory orders the euro may try to continue its appreciation trend started at the month turn.

At the start of the session the zloty was weakening under the influence of weaker global moods and EURPLN rose to 4.32 from 4.31. As the dollar was weakening throughout the day, USDPLN was sliding and fell from 3.88 at the opening to 3.85 at close. This week there are no important data releases from Poland, so the zloty exchange rate is likely to be determined by global events. Today in the morning the global sentiment is better than yesterday so the EURPLN may stabilise.

As regards other CEE currencies, the forint and the ruble outperformed the zloty. The Hungarian currency appreciated to 326.2 against euro at the end of the day from 327.4 at the opening, and USDRUB fell to 65.1 from 65.5 at the opening. The ruble benefited from weakening of the dollar and did not react to a significant correction of oil price (over 2% decline). In turn, the Czech koruna performed similarly as the zloty – after initial weakening from 25.75 to 25.78 it started trimming losses. Today's morning Czech June industrial output data disappointed.

Lower demand for higher-risk assets supported the Polish fixed income market. At the start of the day bond yields fell by 3-5bp in the belly and at the long end of the curve, later on prices stabilised. IRS rates moved even more, falling 6-8bp in the belly and long end of the curve. As a result, asset swap spreads widened slightly in response to growing risk aversion.

USDCNY



Source: Bloomberg Santander

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FX market

Today's opening

EURPLN	4.3176	CZKPLN	0.1674
USDPLN	3.8545	HUFPLN*	1.3225
EURUSD	1.1202	RUBPLN	0.0591
CHFPLN	3.9517	NOKPLN	0.4329
GBPPLN	4.6873	DKKPLN	0.5785
USDCNY	7.0387	SEKPLN	0.4015

*for 100HUF

Last session in the FX market 05/08/2019

	min	max	open	close	fixing
EURPLN	4.298	4.322	4.308	4.317	4.3182
USDPLN	3.850	3.882	3.880	3.851	3.8739
EURUSD	1.111	1.121	1.111	1.121	-

Interest rate market 05/08/2019

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)	1.77	-4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.03	-6	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	1.71	0	1.84	-12	-0.43	0
2L	1.72	-1	1.59	-15	-0.47	-1
3L	1.71	-2	1.51	-15	-0.46	-2
4L	1.72	-2	1.48	-15	-0.44	-1
5L	1.74	-4	1.48	-15	-0.39	-1
8L	1.81	-7	1.56	-14	-0.21	-1
10L	1.89	-5	1.63	-14	-0.08	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.60	2
T/N	1.60	2
SW	1.59	1
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	1.69	-1
9x12	1.67	1
3x9	1.78	0
6x12	1.76	-1

Measures of fiscal risk

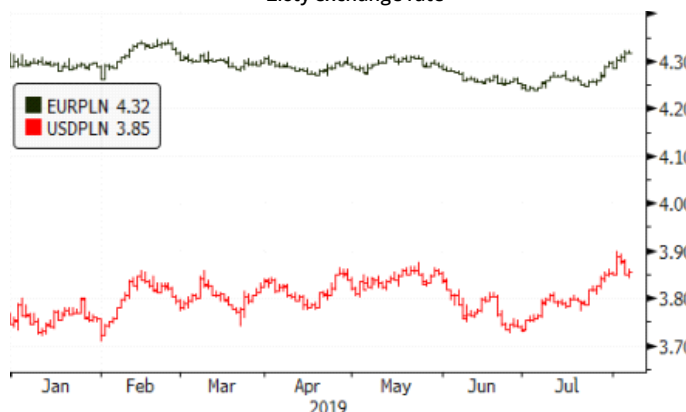
Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.56	-4
France	21	0	0.27	-1
Hungary			2.43	-13
Spain	42	-1	0.75	-1
Italy	172	7	2.05	-3
Portugal	43	-1	0.80	0
Ireland	34	-1	0.54	0
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

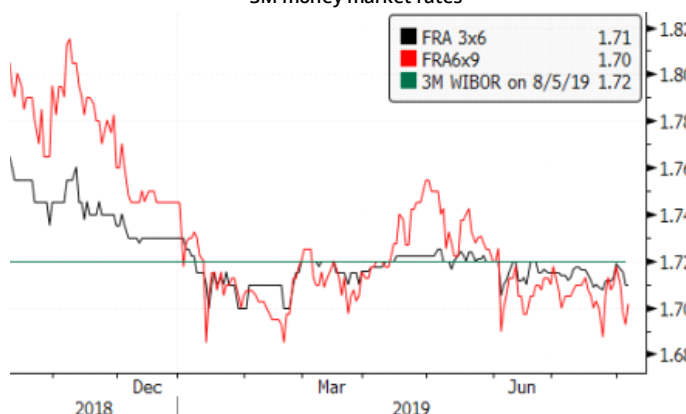
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
FRIDAY (2 August)								
11:00	EZ	Retail Sales	Jun	% m/m	0.3	-	1.1	-0.6
14:30	US	Change in Nonfarm Payrolls	Jul	k	165	-	164	193
14:30	US	Unemployment Rate	Jul	%	3.6	-	3.7	3.7
16:00	US	Michigan index	Jul	pts	98.5	-	98.4	98.4
16:00	US	Durable Goods Orders	Jun	% m/m	-	-	1.9	2.0
16:00	US	Factory Orders	Jun	% m/m	0.7	-	0.6	-1.3
MONDAY (5 August)								
03:45	CN	Caixin China PMI Services	Jul	pts	52.0	-	51.6	52.0
09:55	DE	Markit Germany Services PMI	Jul	pts	55.4	-	54.5	55.8
10:00	EZ	Eurozone Services PMI	Jul	pts	53.3	-	53.2	53.6
16:00	US	ISM services	Jul	pts	55.5	-	53.7	55.1
TUESDAY (6 August)								
08:00	DE	Factory Orders	Jun	% m/m	0.2	-	2.5	-2.0
09:00	CZ	Industrial Production	Jun	% y/y	-2.6	-	-3.8	3.2
WEDNESDAY (7 August)								
08:00	DE	Industrial Production SA	Jun	% m/m	-0.9	-		0.3
09:00	HU	Industrial Production SA	Jun	% y/y	6.7	-		6.1
THURSDAY (8 August)								
09:00	HU	CPI	Jul	% y/y	3.45	-		3.4
14:30	US	Initial Jobless Claims	week	k	214	-		215
FRIDAY (9 August)								
08:00	DE	Exports SA	Jun	% m/m	0.5	-		1.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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