

7 August 2019

Eyeopener

Slight improvement of mood

Global market stabilizes
Euro ignores good German data
Zloty stable, CEE peers gains
Polish yields up, euro zone down

After the strong sell-off on Tuesday, the global markets have calmed and the sentiment improved on Wednesday. This was partially due to actions taken by the Chinese central bank, which halted the yuan depreciation one day after being designated "currency manipulator" by the US Treasury Department. German June factory orders were better than expected, yet details showed some worrying signals, e.g. deterioration of domestic orders. As a result, the euro lost to the dollar slightly. Today in the morning we got to see German industrial output in June – the number was worse than expected and its decline in annual terms was the biggest since November 2009. However, there was no major reaction to the data at the start of the session – stock indices in Europe are going up and the euro is stable.

The President Andrzej Duda announced that general election is scheduled for 13 October.

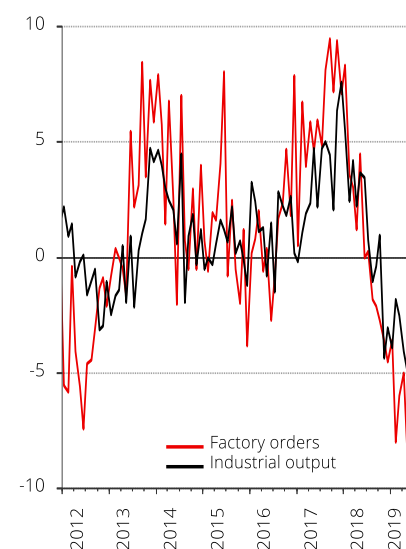
After reaching a peak at 1.125 on Monday night, **EURUSD** was going down on Tuesday and hit 1.119 at the end of the day. The dollar was supported by worries about persistence of rebound in German industrial orders, and comment of Fed's James Bullard, who stated that the Fed has done much to support the US economy and does not have to respond to all new information on the Sino-US trade war, as it would only boost market uncertainty. So far, EURUSD did not react to weaker data from Germany and after the stronger upward move from Monday it may be stabilising around 1.12.

EURPLN began the day with a decline to 4.31, but then it rebounded to 4.318 at the end of the session, driven by some weakening of the euro to the dollar. **Other CEE currencies** were outperforming thanks to stabilization of the global sentiment. EURHUF declined to 325.3, EURCZK to 25.75 and USDRUB to 65.3. As long as there is no information fuelling the risk aversion, in our view the zloty could gain and catch up with other currencies of our region.

On the domestic interest rate market bond yields climbed by 2-5bp (mostly on the longer end of the curve), while IRS rate rose by half of yields' move. US Treasuries yields also increased, while in the euro zone yields were declining both as regards Bunds and peripheral markets. In our view, the room for further declines of yields is limited but these are the global trends that are likely to have the biggest impact on the Polish debt.

MPC's Grażyna Ancyparowicz said in an interview for Bloomberg that Polish banks are dealing with excessive regulatory burden and it is worthwhile to consider easing these policies as well increasing the role of the central bank in the financial supervision. In our view, worries about the banking sector remain one of the factor stopping the MPC from mulling rate cuts, even if the economic growth slows and inflation stops to rise.

German factory orders and industrial output (% y/y)



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.3169	CZKPLN	0.1676
USDPLN	3.8546	HUFPLN*	1.3270
EURUSD	1.1199	RUBPLN	0.0592
CHFPLN	3.9494	NOKPLN	0.4327
GBPPLN	4.6891	DKKPLN	0.5783
USDCNY	7.0436	SEKPLN	0.4016

*for 100HUF

Last session in the FX market 06/08/2019

	min	max	open	close	fixing
EURPLN	4.308	4.322	4.317	4.317	4.3096
USDPLN	3.841	3.862	3.851	3.856	3.8482
EURUSD	1.117	1.125	1.121	1.120	-

Interest rate market 06/08/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0721 (2L)	1.54	2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.84	7	21 mar 19	PS0424	2.209
DS1029 (10L)	2.08	5	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	1.85	1	-0.45	-1
2L	1.73	1	1.61	2	-0.48	-1
3L	1.73	2	1.52	2	-0.47	-1
4L	1.74	2	1.49	1	-0.44	-1
5L	1.77	3	1.49	1	-0.40	-1
8L	1.84	3	1.57	1	-0.22	-1
10L	1.90	1	1.64	1	-0.10	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.60	0
T/N	1.60	0
SW	1.58	-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	1.70	1
9x12	1.68	1
3x9	1.78	0
6x12	1.77	1

Measures of fiscal risk

Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.64 7
France	21 1	0.27 -1
Hungary		2.51 7
Spain	41 1	0.76 -1
Italy	179 -3	2.01 -4
Portugal	42 0	0.79 0
Ireland	33 -1	0.54 -1
Germany	11 1	- -

* 10Y treasury bonds over 10Y Bunds

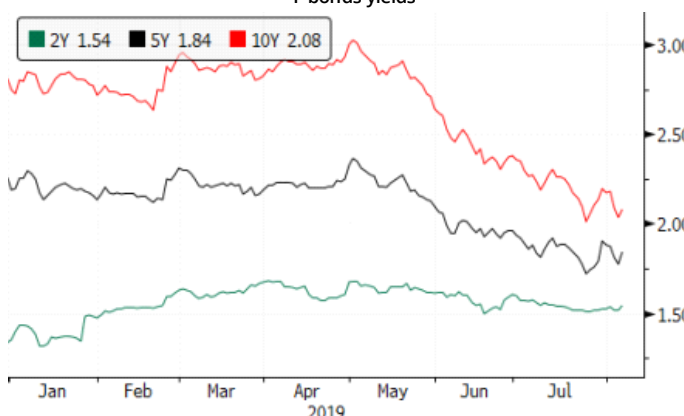
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

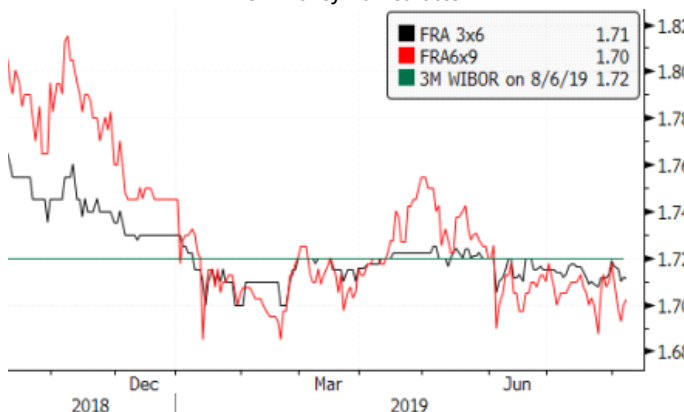
Zloty exchange rate



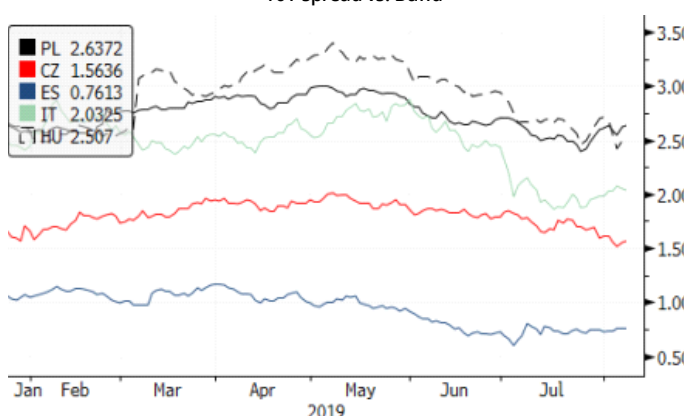
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
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	-	-1.5	0.1
09:00	HU	Industrial Production SA	Jun	% y/y	6.7	-	4.1	6.3
THURSDAY (8 August)								
09:00	HU	CPI	Jul	% y/y	3.45	-		3.4
11:00	PL	Bond switch auction						
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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