

30 August 2019

# Eyeopener

## Forint weakest vs euro ever

EURPLN below 4.40, EURHUF at its fresh all-time-high  
 Dollar stronger vs euro  
 Polish bond yields up  
 Today Poland GDP and CPI data

Yesterday stock indexes were on the rise, bonds were weakening somewhat and the dollar got a bit stronger as the trade wars worries eased. August CPI data from Germany (1.4% y/y vs 1.7% previously and 1.5% market expectations) showed a decline due to energy prices, which more than offset the rise of food prices. In the USA the second estimate of 2Q GDP was out, which did not surprise: the headline growth was brought down to 2.0% from 2.1% initially estimated. Private consumption still looks fine (4.7% y/y while 4.3% was expected) but other components weakened. Christine Lagarde, the next ECB president (to replace Draghi on 1 November) stated in a written comment to the European Commission that the ECB has a broad range of financial tools and will not hesitate to use them if needed. In Lagarde's view the ECB rates still have some room to fall, but it is clear that low rates influence the financial sector and financial stability.

After a couple of days of relatively low volatility, the dollar started to appreciate again – the dollar index crossed the local high at 98.45 which opens the possibility of a move towards 98.93, the highest level since 2017. The next important level is 100.0, local maximum from 2015. **EURUSD** traded lower yesterday and closed at 1.1065 and remains only slightly above this year's low from July at 1.102. We think the level may soon be tested.

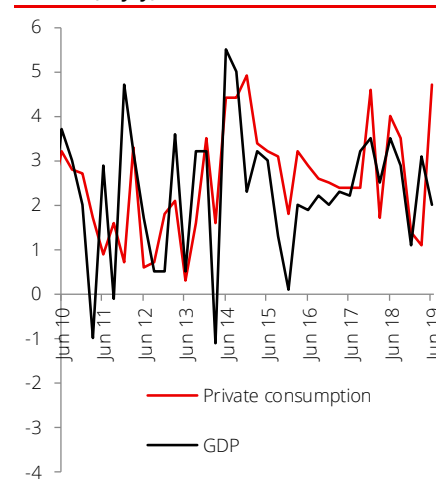
**Polish zloty** was pretty volatile yesterday versus euro. The exchange rate initially tried and failed to breach 4.40 in the morning, then the zloty strengthened towards 4.38 only to end the day at 4.396 (USDPLN 3.974, CHFPLN 4.033). The afternoon weakening was a function of weaker forint, which was the weakest CEE currency yesterday. EURHUF moved beyond its all time high at 330.3 and traded as high as 331.85. Hungarian central bank said that it has no currency target and does not comment the forint movements. EURCZK also traded slightly higher and closed at 25.91 vs 25.85 a day before. USDRUB traded stable at around 66.7.

**On the core fixed income markets** the yields increased (e.g. 30Y UST back above 2.0%) which influenced the Polish curve which gave back a bit of last day's rally. Polish bonds, after initial significant selloff closed on the weaker side: 2Y at 1.55% (+6bp), 5Y at 1.67% (+6bp), 10Y at 1.83% (+7bp). The swaps curve traded in similar fashion and closed at 1.63% (+3bp), 1.52% (+6bp), 1.53% (+7bp) hence the asset swap remained unchanged. The German curve lowered at the front end by 3bp and traded higher at the long end by 3bp. As a result the spread vs Bund widened but only slightly – to 252bp (+4bp).

**After July the central budget** showed a deficit of PLN4.8bn, i.e. slightly lower than after June (PLN5.0bn). Improvement of the central budget balance was primarily due to high tax receipts – VAT revenues jumped by 27% y/y in July, CIT by 29.2% y/y and PIT by 23.3% y/y. Such high growth rates could be achieved partially due to low statistical base from July 2018, yet PIT really gained momentum over the last months. Expenditures fell by 10% y/y due to high statistical base in July 2018 in debt servicing (when the Ministry carried out swap operations) and low subsidy to FUS (growth rate near to zero). In our view, tax revenues will grow at a solid pace in the months to come (yet PIT will be under negative spell of lower wedge) and spending will remain under control, so the year is likely to end with deficit below PLN20bn.

**Today at 10:00CET** we will get to see important data from Poland. Especially we will get to know what was behind the pace of the GDP growth slowdown in 2Q and the flash August CPI will be published. Polish July data confirmed that the gradual economic slowdown continues while the flash August PMIs for Germany and the whole euro zone gave hope (again) that the business activity is already at its bottom. Shall this be the case, the pace of the Polish GDP slowdown should remain low in the quarters to come.

US GDP (% y/y)



Source: Bloomberg Santander

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## FX market

### Today's opening

EURPLN	4.3901	CZKPLN	0.1695
USDPLN	3.9775	HUFPLN*	1.3237
EURUSD	1.1038	RUBPLN	0.0597
CHFPLN	4.0260	NOKPLN	0.4364
GBPPLN	4.8422	DKKPLN	0.5888
USDCNY	7.1521	SEKPLN	0.4064

\*for 100HUF

### Last session in the FX market 29/08/2019

	min	max	open	close	fixing
EURPLN	4.379	4.400	4.388	4.390	4.3845
USDPLN	3.955	3.975	3.961	3.972	3.9586
EURUSD	1.105	1.109	1.108	1.105	-

## Interest rate market 29/08/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0721 (2L)	1.54	4	21 mar 19	OK0521	1.633
PS1024 (5L)	1.65	4	21 mar 19	PS0424	2.209
DS1029 (10L)	1.82	7	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	1.68	2	1.80	2	-0.49	0
2L	1.64	4	1.52	2	-0.55	-1
3L	1.58	5	1.41	3	-0.56	-1
4L	1.55	6	1.36	3	-0.55	-1
5L	1.52	6	1.34	3	-0.53	-1
8L	1.51	6	1.37	4	-0.39	1
10L	1.53	6	1.41	5	-0.28	2

### WIBOR rates

Term	%	Change (bps)
O/N	1.33	-25
T/N	1.55	-4
SW	1.59	0
2W	1.60	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.85	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.72	1
3x6	1.70	4
6x9	1.64	2
9x12	1.58	3
3x9	1.78	6
6x12	1.70	4

### Measures of fiscal risk

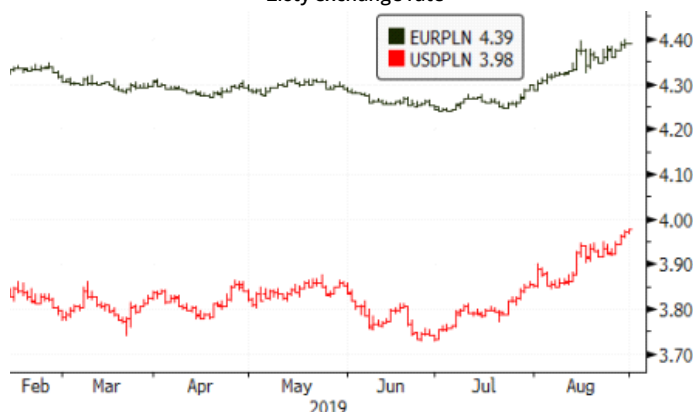
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.52	7
France	21	0	0.29	0
Hungary			2.57	0
Spain	41	-1	0.80	1
Italy	161	2	1.70	3
Portugal	42	0	0.82	1
Ireland	33	0	0.61	1
Germany	11	0	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

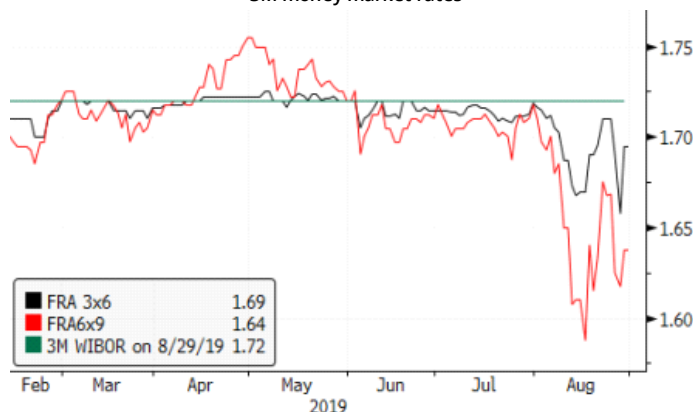
### Zloty exchange rate



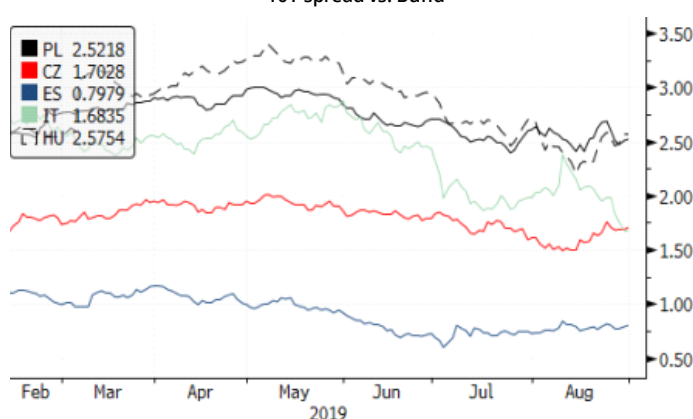
### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

TIME		COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
CET	MARKET				SANTANDER	VALUE	VALUE*	
FRIDAY (23 August)								
14:00	PL	Money Supply M3	Jul	% y/y	9.5	9.9	9.9	9.3
16:00	US	New Home Sales	Jul	% m/m	0.46	-	-12.8	20.9
MONDAY (26 August)								
10:00	DE	IFO Business Climate	Aug	pts	96.0	-	94.3	95.7
10:00	PL	Unemployment Rate	Jul	%	5.2	5.2	5.2	5.3
14:30	US	Durable Goods Orders	Jul	% m/m	1.1	-	2.1	1.8
TUESDAY (27 August)								
08:00	DE	GDP	2Q	% y/y	0.4	-	0.4	0.4
14:00	HU	Central Bank Rate Decision		%	0.90	-	0.9	0.9
16:00	US	Consumer Conference Board	Aug	pts	129.0	-	135.1	135.8
Wednesday (28 August)								
No important data releases								
THURSDAY (29 August)								
11:00	EZ	ESI	Aug	pct.	0.0	-	103.1	102.7
14:00	DE	HICP	Aug	% m/m	0.0	-	-0.1	0.4
14:30	US	GDP Annualized	2Q	% q/q	2.0	-	2.0	2.1
14:30	US	Initial Jobless Claims	week	k	216	-	215	220
16:00	US	Pending Home Sales	Jul	% m/m	0.0	-	-2.5	2.8
FRIDAY (30 August)								
09:00	CZ	GDP SA	2Q	% y/y	2.7	-	2.7	2.7
09:00	HU	GDP	2Q	% y/y	4.9	-	4.9	4.9
10:00	PL	CPI	Aug	% y/y	2.8	2.8		2.9
10:00	PL	GDP	2Q	% y/y	-	4.4		4.4
11:00	EZ	Flash HICP	Aug	% y/y	1.1	-		1.1
11:00	EZ	Unemployment Rate	Jul	%	7.5	-		7.5
14:30	US	Personal Spending	Jul	% m/m	0.5	-		0.3
14:30	US	Personal Income	Jul	% m/m	0.3	-		0.4
14:30	US	PCE Deflator SA	Jul	% m/m	0.2	-		0.1
16:00	US	Michigan index	Aug	pts	92.3	-		92.1

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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