

10 September 2019

Eyeopener

A breather in Brexit case?

Market under impact of signals from Germany
 UK parliament suspended, snap election rejected
 EURPLN with no major changes, euro stronger to dollar and franc
 Bonds under pressure of sell-off abroad and new election promises
 Today Czech and Hungarian inflation

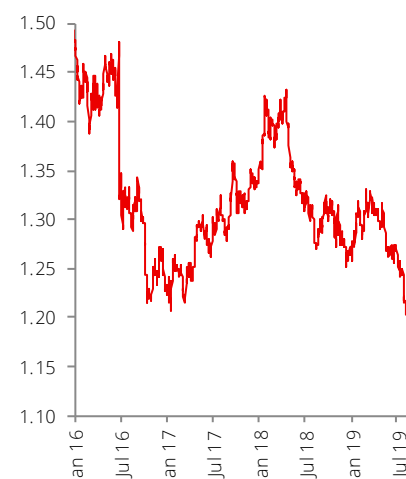
In Monday the trade was mostly affected by news from Germany, yet changes on the European stock markets and most FX markets were relatively low. Much happened on the bond market, as yields were going up after media speculating that German policymakers are mulling circumventing national debt rules enshrined in constitution in order to revive the economy. This has put a pressure on bonds at the start of the week, while the euro gained under revived hopes for an economic recovery in Europe. These signals fitted into morning better-than-expected German exports in July. Meanwhile, the UK parliament has been suspended until mid-October. Yesterday the House of Commons enacted a law pushing the deadline for Brexit until end of January 2020 provided that no deal is signed. Yesterday the pound gained versus the euro and the dollar. In the night, the parliament rejected Johnson's motion for snap elections.

EURUSD rose yesterday to 1.106 from 1.102 after the media reports on the fiscal plans to prop up German economy. However, the daily range was not much higher than on last Friday after NFP and smaller than on Thursday. We expect similar market conditions to remain till Thursday's ECB meeting. EURCHF after having stabilised around 1.085 since around mid-August, rose yesterday to 1.095 – the biggest 1 day move since mid-April.

EURPLN again tried to break 4.33, but like last week it. USDPLN traded within 3.92-3.94 range, CHFPLN fell to 3.955 from 3.98 and GBPPLN temporarily climbed to 4.87 from 4.80. We expect EURPLN to trade above 4.33 in a period before ECB meeting. **As for the other CEE currencies** – the forint was stable vs euro, the koruna slightly weaker (EURCZK broke above the 3 day range from last week), and the ruble traded stronger vs the greenback (thanks to oil price increase) but at a slower pace than on last Friday. Currently central banks are focused on worsening economic conditions hence we do not expect today's data to significantly impact CEE currencies.

On Polish fixed income market the bond and swap yield curves moved higher by 3-7 bp. The longer end moved by more (bear steepening) due to a rise in the core yields and also as a result of the new proinflationary election propositions in Poland. The 2-10Y spread rose above the levels from the 2nd half of August and reached 15bp for the swaps curve and 48bp for the bond curve. The 10Y spread to Bund rose only marginally to 265bp, slightly below local maximum from the end of July and 2nd half of August at around 268bp. We think that the Polish bond 10Y yield might initially reach or breach the 2.10% level as the market awaits or reacts to the ECB meeting. Later on, however, we expect yields to decrease again as the markets will start pricing more monetary easing by the central banks looking to support their economies.

GBPUSD exchange rate



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.3319	CZKPLN	0.1676
USDPLN	3.9230	HUFPLN*	1.3103
EURUSD	1.1043	RUBPLN	0.0598
CHFPLN	3.9533	NOKPLN	0.4386
GBPPLN	4.8431	DKKPLN	0.5807
USDCNY	7.1189	SEKPLN	0.4057

*for 100HUF

Last session in the FX market 09/09/2019

	min	max	open	close	fixing
EURPLN	4.331	4.346	4.337	4.337	4.3373
USDPLN	3.917	3.941	3.934	3.922	3.931
EURUSD	1.102	1.107	1.103	1.106	-

Interest rate market 09/09/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0721 (2L)	1.57	2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.86	6	21 mar 19	PS0424	2.209
DS1029 (10L)	2.08	8	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	1.72	1.81	-0.48
2L	1.76	1.57	-0.52
3L	1.74	1.47	-0.52
4L	1.74	1.42	-0.52
5L	1.75	1.41	-0.49
8L	1.75	1.45	-0.33
10L	1.77	1.50	-0.21

WIBOR rates

Term	%	Change (bps)
O/N	1.65	1
T/N	1.65	0
SW	1.60	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	0
3x6	1.72	0
6x9	1.70	2
9x12	1.68	3
3x9	1.79	0
6x12	1.78	1

Measures of fiscal risk

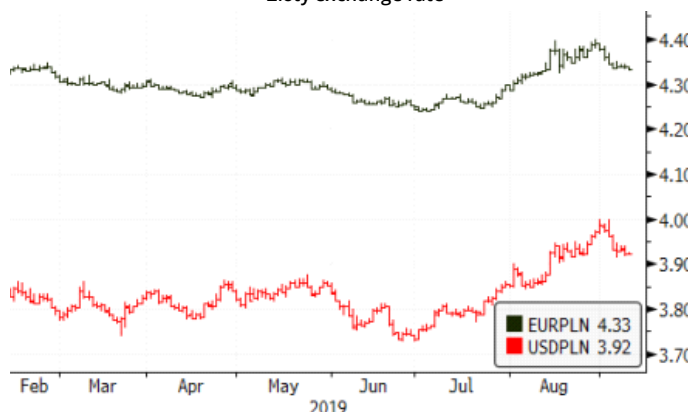
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland		2.67
France	21	0.30
Hungary		2.84
Spain	42	0.80
Italy	149	1.53
Portugal	44	0.83
Ireland	33	0.59
Germany	11	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

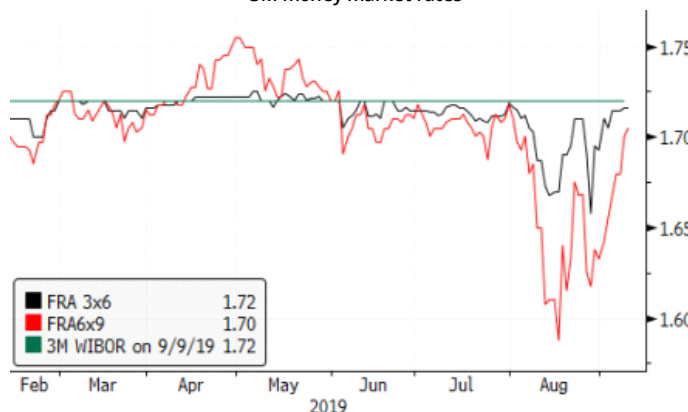
Zloty exchange rate



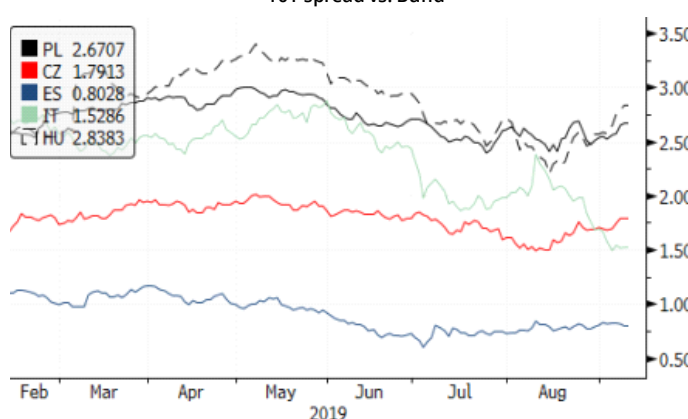
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar				FORECAST		ACTUAL	LAST	
TIME	COUNTRY	INDICATOR	PERIOD					
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (6 September)								
08:00	DE	Industrial Production SA	Jul	% m/m	0.4	-	-0.6	-1.5
09:00	CZ	Industrial Production	Jul	% y/y	2.9	-	0.1	-3.8
09:00	HU	Industrial Production SA	Jul	% y/y	5.85	-	8.7	4.1
11:00	EZ	GDP SA	2Q	% y/y	1.1	-	1.2	1.1
14:30	US	Change in Nonfarm Payrolls	Aug	k	160	-	130	159
14:30	US	Unemployment Rate	Aug	%	3.7	-	3.7	3.7
MONDAY (9 September)								
08:00	DE	Exports SA	Jul	% m/m	-0.7	-	0.5	-0.1
TUESDAY (10 September)								
09:00	CZ	CPI	Aug	% y/y	2.8	-		2.9
09:00	HU	CPI	Aug	% y/y	3.2	-		3.3
WEDNESDAY (11 September)								
	PL	MPC decision		%	1.50	1.50		1.50
THURSDAY (12 September)								
08:00	DE	HICP	Aug	% m/m	-0.1	-		-0.1
11:00	EZ	Industrial Production SA	Jul	% m/m	-0.05	-		-1.6
13:45	EZ	ECB Main Refinancing Rate	Sep.19	%	0.0	-		0.0
14:30	US	CPI	Aug	% m/m	0.1	-		0.3
14:30	US	Initial Jobless Claims	week	k	215	-		217
FRIDAY (13 September)								
10:00	PL	CPI	Aug	% y/y	-	2.8		2.8
14:00	PL	Current Account Balance	Jul	€mn	4.0	-400		21
14:00	PL	Trade Balance	Jul	€mn	-80	-14		-77
14:00	PL	Exports	Jul	€mn	19 046	18 845		18 068
14:00	PL	Imports	Jul	€mn	18 955	18 859		18 145
14:30	US	Retail Sales Advance	Aug	% m/m	0.2	-		0.7
16:00	US	Flash Michigan index	Sep	pts	90.2	-		89.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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