

13 September 2019

Eyeopener

ECB decisively eased the monetary policy

ECB to restart asset purchases
Higher volatility on the FX market
Yields in Poland and abroad down
Today Polish CPI and balance of payments

Yesterday ECB decision about easing of monetary policy caused a significant rise of volatility on the global fx market, interest rate market and stock exchanges. It did not however start a permanent or directional trends, in spite of the fact that the ECB announced more measures than the market expected. Today the sentiment is positive thanks to the ECB decision and hopes for further improvement of the US-China relations.

The European Central Bank lowered the deposit rate to -0.50% from -0.40% and announced that rates will remain no higher than now until inflation forecasts approach the target. The central bank resigned from indicating a probable end date for this forward guidance (previously it was the middle of 2020), which shows both the determination in ECB's will to ease the rhetoric and the uncertainty about future economic trends. The ECB introduces tiering system for banks' reserves. What is more, from November on, the ECB will be buying euro zone members' debt again, €20bn/month, also without an end date. Further rounds of TLTRO were also announced. The ECB presented **the newest inflation and GDP forecasts for the euro zone**. Estimates of the consumer prices growth were revised lower vs July edition, to 1.1% from 1.2% for 2019, to 1% from 1.4% for 2020 and to 1.5% from 1.6% for 2021. There was a similar revision of GDP numbers: to 1.1% from 1.2% for 2019, to 1.2% from 1.4% for 2020. 2021 was left at 1.4%. According to the ECB, risks to economic growth in the euro zone are still to the downside. President Mario Draghi said during the press conference, that it is essential for stimulating of euro zone GDP that all countries that have such possibility ease their fiscal policies.

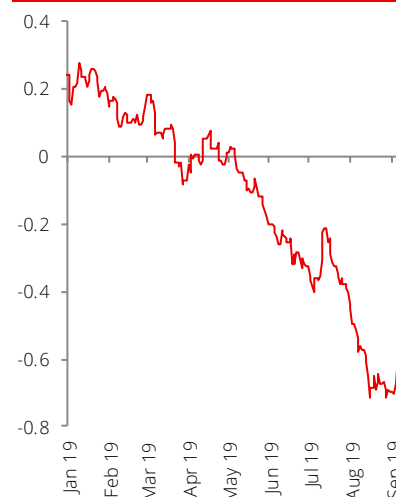
EURUSD had a pretty volatile session yesterday and the daily range was the biggest since 7th March (another volatile day also as a result of ECB). On Thursday EURUSD initially quickly rose to 1.107 after the news on the cut in the deposit rate. However, soon the exchange rate fell on news that the ECB decided to relaunch the QE programme. As a result the EURUSD traded just slightly above this year's minimum from end of August at 1.0920. At the end of the day EURUSD closed at 1.106 and we think that after such a volatile session yesterday, today's volatility will be much lower.

EURPLN was also more volatile than in the previous days, but the Thursday session has not changed the market perception of the currency. EURPLN was testing 4.33 yesterday but was back at 4.34 at the end of the day. USDPLN temporarily rose to 3.96 from 3.93 and was as low as 3.92 at the end of the day. Other CEE currencies traded similarly to zloty – most currencies except for the ruble did not manage to keep gains posted thanks to the ECB decision.

On the Polish fixed income market bond yields fell by 3-5bp, and the IRS rates moved at a similar scale a result of trends abroad. The ECB decision to renew QE programme had its biggest impact on the EU periphery countries, while the Bund yield traded at the end of the day close to -0.55% level from the market opening (the 10bp fall in yields proved temporary). As a result the 10Y POLGBs – Bund spread significantly narrowed.

Today at 10:00 CET the GUS will publish **the final reading of the August inflation**. We think that the initial estimate of 2.8% y/y will be confirmed. In our view the downward move of inflation will be only temporary and the gauge will approach 4% at the end of the year. At 14:00 CET the NBP will publish **data about July C/A deficit**. We expect both export and import dynamics to bounce higher after the weak June. We expect the C/A to widen to EUR -401m from +21m in June.

10Y German bond yield



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.3352	CZKPLN	0.1677
USDPLN	3.9092	HUFPLN*	1.3041
EURUSD	1.1090	RUBPLN	0.0605
CHFPLN	3.9580	NOKPLN	0.4360
GBPPLN	4.8387	DKKPLN	0.5809
USDCNY	7.0792	SEKPLN	0.4067

*for 100HUF

Last session in the FX market 12/09/2019

	min	max	open	close	fixing
EURPLN	4.327	4.350	4.342	4.336	4.34
USDPLN	3.913	3.962	3.945	3.918	3.9362
EURUSD	1.093	1.108	1.101	1.107	-

Interest rate market 12/09/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.54	-2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.79	-5	21 mar 19	PS0424	2.209
DS1029 (10L)	2.01	-6	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	1.71	0	1.89	3	-0.43	4
2L	1.72	-1	1.71	5	-0.44	7
3L	1.71	0	1.62	6	-0.43	7
4L	1.69	-2	1.59	6	-0.41	7
5L	1.69	-2	1.58	6	-0.38	7
8L	1.70	-2	1.62	6	-0.21	6
10L	1.72	-2	1.67	5	-0.08	5

WIBOR rates

Term	%	Change (bps)
O/N	1.65	0
T/N	1.65	1
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	1.70	-1
6x9	1.68	1
9x12	1.65	1
3x9	1.78	-1
6x12	1.76	-1

Measures of fiscal risk

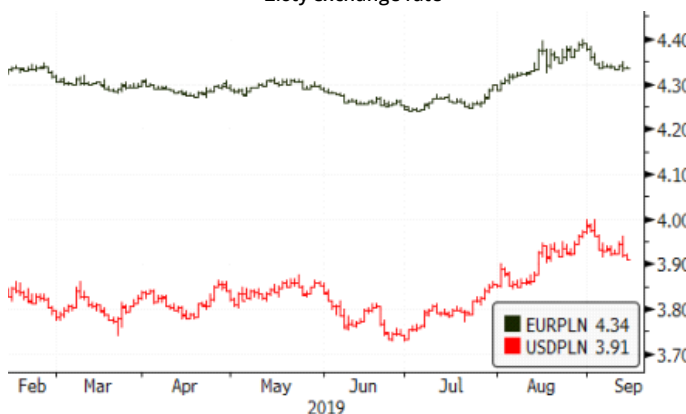
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.51 -7
France	20 1	0.28 0
Hungary		2.55 0
Spain	38 1	0.77 3
Italy	129 -3	1.42 3
Portugal	41 1	0.75 0
Ireland	28 5	0.55 0
Germany	10 1	- -

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

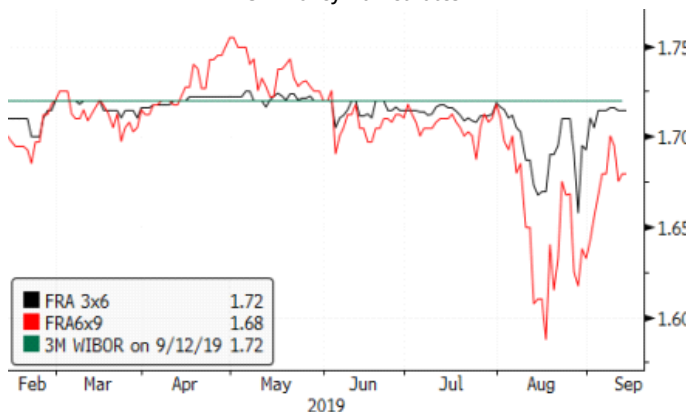
Zloty exchange rate



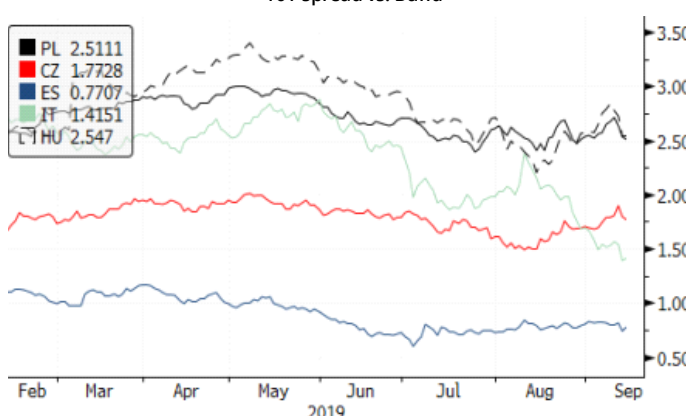
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar								
TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
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	2.9
09:00	HU	CPI	Aug	% y/y	3.2	-	3.1	3.3
WEDNESDAY (11 September)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
THURSDAY (12 September)								
08:00	DE	HICP	Aug	% m/m	-0.1	-	-0.1	-0.1
11:00	EZ	Industrial Production SA	Jul	% m/m	0.0	-	-0.4	-1.4
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0	0.0
14:30	US	CPI	Aug	% m/m	0.1	-	0.1	0.3
14:30	US	Initial Jobless Claims	week	k	215	-	204	219
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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