

25 September 2019

# Eyeopener

## Start of Trump impeachment procedure

Stabilisation after a dynamic Monday  
 Democrats start a formal impeachment procedure  
 Polish bonds stable despite strengthening abroad  
 Today Czech central bank decision and US data

After Monday's increase in volatility caused by weak data from Europe, trading on Tuesday was calmer. Equity indices in Europe slightly rebounded, CEE currencies stabilised a bit, and the euro trimmed some losses vs. the dollar. German Ifo index did not look as weak as flash PMIs released the day before and even inched up a bit. Moreover, the UK's Supreme Court ruled that Boris Johnson's suspension of parliament was unlawful. In reaction to this announcement the British pound strengthened, as the risk of hard Brexit decreased in market's perception. US consumer confidence fell in September to the lowest level since June, which supported US and German bonds at the end of the session.

The US House of Representative speaker Nancy Pelosi announced **the launch of formal impeachment procedure** against the president Donald Trump, related to his phone conversation with Ukraine's president Volodymyr Zelensky. According to claims Mr Trump pressed Ukraine's president to investigate the local business activities of the son of former vice-president Joe Biden, one of the leading Democratic presidential contenders. The information had a negative impact on equity markets, but the FX market remained unaffected so far.

Yesterday **EURUSD** corrected most of its Monday's decline and bounced back to 1.10 from 1.097. Yesterday's daily range (daily high minus daily low) was the lowest in 2 weeks.

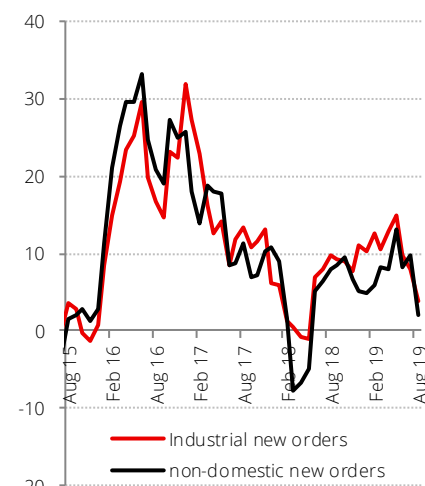
**EURPLN** and **USDPLN** stabilised yesterday below local highs at 4.4 and 4.0 respectively. The Czech koruna remained stable, The Russian ruble gained a bit vs the dollar while the Hungarian forint initially printed all-time high at 336 only to retrace a bit in the afternoon towards 334. EURHUF started to trade lower after MNB (Central Bank of Hungary) decided to leave interest rates unchanged. The base rate was left at 0.9%. Risks to both growth and inflation remain to the downside as a function of the external factors. MNB deputy governor Márton Nagy said that the bank does not have a foreign exchange target in mind which also contributed to HUF strength.

On Tuesday on **Polish fixed income market** we saw a continuation of upward momentum in asset swaps spreads and spread vs Bund as a result of a slight yield increase of POLGBs, lower swap yields and lower German yields. Polish 10Y benchmark bond yield stabilised after a significant increase in the first half of the month and currently trades within 2.00-2.15% range. In the meantime both US and German yields have been falling for a few days now and made up for around half of their losses from the first half of the month. It seems that underperformance of Polish debt is related to the uncertainty regarding Polish elections and ECJ ruling regarding CHF mortgages.

**The government approved 2020 budget draft.** As in the preliminary version, it is assumed that expenditures and revenues will be equal and the general government deficit will be 0.3% GDP. The assumed economic growth in 2020 is 3.7% (our forecast is 3.5%) and average inflation is 2.5% (we expect 3.6%).

GUS released a new **Statistical Bulletin**. In August there was a large decline of new orders in industry. Total new orders rose by 5.3% y/y vs 10.7% in July and 10.2% on average in 1H19. Export orders declined by 2.5% y/y after rising 13.8% in July and 8.3% on average in 1H19. Having reached the highest level this year in August, in September consumer inflation expectations fell significantly. Seasonally adjusted general business climate indicator declined in September to the lowest level since late 2013. Industrial enterprises considered current production and employment prospects to be the worst in three years. Since a few months there is a rapid worsening of sentiment in the transport sector, which may signal further loss of momentum by the economy. Wages in the enterprise sector excluding mining rose by 6.8% y/y in August which is more or less equal to the average from the previous months of the year. The pace of wage growth in services sector is since July higher than in manufacturing.

Value of new orders in industry, %y/y, 3M mov.avg.



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.3799	CZKPLN	0.1692
USDPLN	3.9821	HUFPLN*	1.3122
EURUSD	1.0998	RUBPLN	0.0623
CHFPLN	4.0349	NOKPLN	0.4411
GBPPLN	4.9644	DKKPLN	0.5866
USDCNY	7.1191	SEKPLN	0.4110

\*for 100HUF

### Last session in the FX market 24/09/2019

	min	max	open	close	fixing
EURPLN	4.374	4.396	4.391	4.380	4.3796
USDPLN	3.975	4.000	3.997	3.976	3.9838
EURUSD	1.098	1.102	1.099	1.101	-

## Interest rate market 24/09/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.46	1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.81	2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.05	1	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	1.70	-1	1.82	-4	-0.42	-1
2L	1.71	-1	1.60	-5	-0.44	0
3L	1.68	-1	1.51	-6	-0.45	-1
4L	1.67	-2	1.47	-6	-0.44	-4
5L	1.66	-2	1.46	-5	-0.41	-4
8L	1.66	-1	1.48	-5	-0.29	-5
10L	1.67	-2	1.52	-5	-0.18	-6

### WIBOR rates

Term	%	Change (bps)
O/N	1.63	0
T/N	1.64	1
SW	1.59	0
2W	1.60	0
1M	1.64	1
3M	1.72	0
6M	1.79	0
9M	1.80	0
1Y	1.84	0

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

Term	%	Change (bps)
1x4	1.72	0
3x6	1.70	-1
6x9	1.68	-1
9x12	1.64	-2
3x9	1.77	-1
6x12	1.75	-1

### Measures of fiscal risk

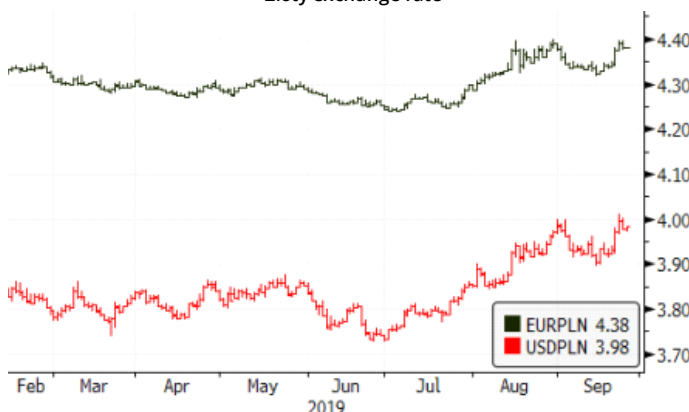
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.65 2
France	21 0	0.30 1
Hungary		2.45 -1
Spain	41 1	0.72 -1
Italy	136 3	1.43 2
Portugal	43 1	0.74 -1
Ireland	33 0	0.55 1
Germany	11 0	- -

\* 10Y treasury bonds over 10Y Bunds

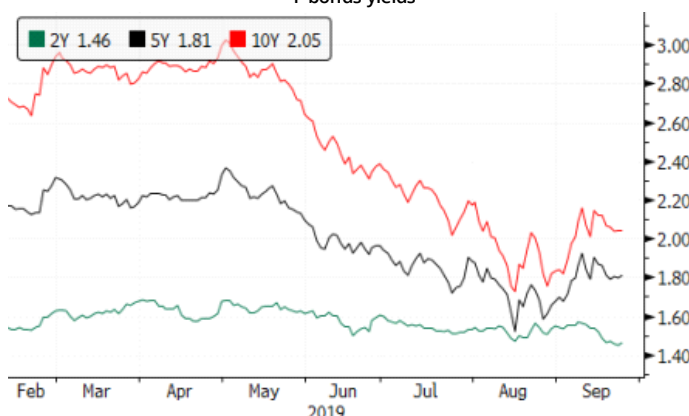
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

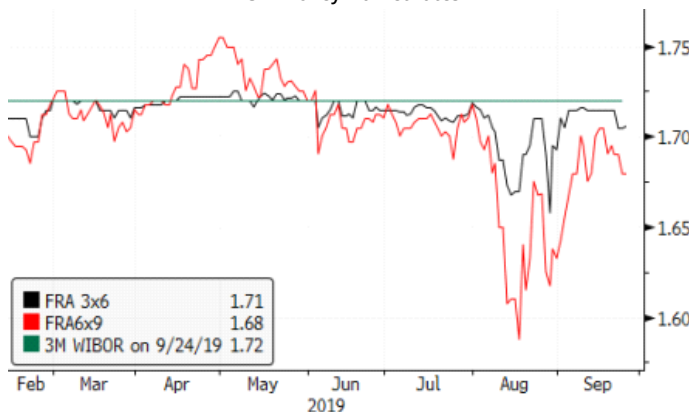
## Zloty exchange rate



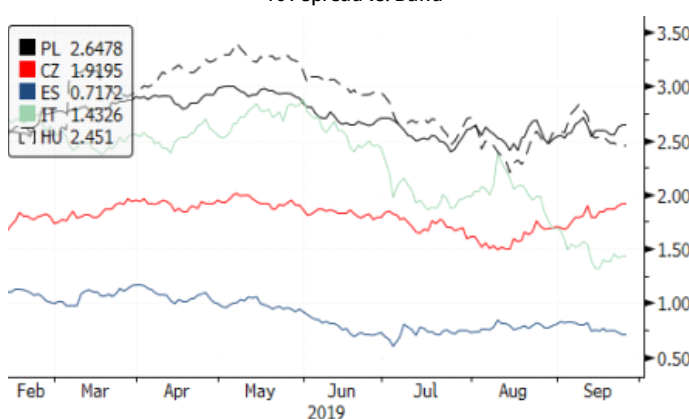
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (20 September)								
10:00	PL	Retail Sales Real	Aug	% y/y	5.25	4.4	4.4	5.7
MONDAY (23 September)								
09:30	DE	Flash Germany Manufacturing PMI	Sep	pts	44.3	-	41.4	43.5
09:30	DE	Flash Markit Germany Services PMI	Sep	pts	54.3	-	52.5	54.8
10:00	EZ	Flash Eurozone Manufacturing PMI	Sep	pts	47.3	-	45.6	47.0
10:00	EZ	Flash Eurozone Services PMI	Sep	pts	53.3	-	52.0	53.5
10:00	PL	Construction Output	Aug	% y/y	1.9	3.9	2.7	6.6
14:00	PL	Money Supply M3	Aug	% y/y	10.0	10.1	9.9	9.9
TUESDAY (24 September)								
10:00	DE	IFO Business Climate	Sep	pts	94.5	-	94.6	94.3
10:00	PL	Unemployment Rate	Aug	%	5.2	5.2	5.2	5.2
14:00	HU	Central Bank Rate Decision		%	0.9	-	0.9	0.9
16:00	US	Consumer confidence index	Sep	pts	133.0	-	125.1	134.2
WEDNESDAY (25 September)								
13:00	CZ	Central Bank Rate Decision		%	2.0	-		2.0
16:00	US	New Home Sales	Aug	% m/m	3.3	-		-12.8
THURSDAY (26 September)								
14:00	PL	MPC minutes						
14:30	US	GDP Annualized	2Q	% q/q	2.0	-		2.0
14:30	US	Initial Jobless Claims	week	k	213	-		208
16:00	US	Pending Home Sales	Aug	% m/m	0.95	-		-2.5
FRIDAY (27 September)								
11:00	EZ	ESI	Sep	pct.	103.0	-		103.1
14:30	US	Durable Goods Orders	Aug	% m/m	-1.15	-		2.0
14:30	US	Personal Spending	Aug	% m/m	0.3	-		0.6
14:30	US	Personal Income	Aug	% m/m	0.4	-		0.1
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	-		0.2
16:00	US	Michigan index	Sep	pts	92.1	-		92.0

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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