

26 September 2019

Eyeopener

Today minutes from the MPC meeting

New strong data from the USA
 Zloty under pressure, koruna supported by central bank rhetoric
 Dollar gained to euro
 Polish debt slightly stronger
 Today MPC minutes and new important US data

Wednesday session did not bring many changes to the pricing of currencies and bonds. The dollar gained vs major fx, including the pound which lost more than it had gained on Tuesday. Weak sentiment worked against EM currencies, in our region the koruna outperformed. US real estate market data were going up recently and yesterday release was no different – in August new home sales were stronger than expected. As result of the release, the dollar strengthened and core market bond yields went up. The US president Donald Trump stated that the trade deal which China may be reached sooner than it is broadly expected. This had positive impact on market mood.

Sabine Lautenschläger resigned yesterday from sitting in the Executive Board of the ECB (she will keep the position until the end of October), despite the fact that her term ends in two years. No official reason was given, but there are reports the resignation was linked to the recent lack of consent to the monetary policy decisions in the euro zone. Lautenschläger is considered a hawkish central banker.

Yesterday the NBP released its 2020 **monetary policy guidelines**. The document did not contain any meaningful changes compared to the previous ones, in particular, the inflation target was left unchanged at 2.5% and the central bank's set of available instruments was not modified. Today at 14:00CET **minutes from the September MPC** meeting will be released. During the press conference after the last meeting, governor Głapiński said answering the question if more members joined the hawk camp after information that the minimum wage will rise in 2020 that actually the opposite had happened. In our view, there might have been no motion for a rate hike in September (in July, Eugeniusz Gatnar submitted such motion).

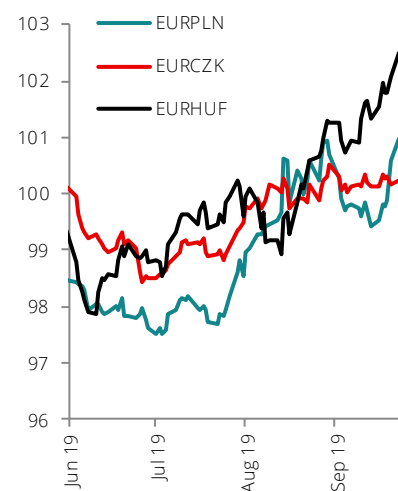
EURUSD fell to 1.096 from the overnight high at 1.102. Today we will get to know important data from the US, including the final Q2 GDP. We expect that by the end of the week EURUSD may become more volatile than in previous days.

EURPLN and **USDPLN** rose yesterday to 4.395 and slightly above 4.0 due to worse global sentiment and return of risk aversion. We expect EURPLN to remain near 4.40 awaiting the next week's ECJ ruling.

Czech National Bank (CNB) left the rates unchanged at 2%, but the decision was not unanimous. The information that 2 out of 7 central bankers voted for a 25bp hike, helped strengthen the koruna which was the best performing CEE currency yesterday. Central bank governor Jiří Rusnok said that the decision was not easy and the the decision to hike would be reasonable given the lack of slowdown in the Czech economy. Forint lost again versus the euro, after 1 day of pause, while the ruble traded as a function of oil price.

On the **Polish fixed income market** bonds made up the lack of Tuesday price rise when they traded worse than core markets. On Thursday it was Polish debt that outperformed the German or the US debts, where significant negative impact of much better real estate data from US was felt. The yield of 10Y Polgb neared 2%, while swap rates continued its move lower. Since the mid-September the 5Y IRS fell by 15bp while 10Y IRS by 20bp.

CEE exchange rates, August = 100



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.3834	CZKPLN	0.1702
USDPLN	4.0021	HUFPLN*	1.3119
EURUSD	1.0953	RUBPLN	0.0623
CHFPLN	4.0372	NOKPLN	0.4420
GBPPLN	4.9478	DKKPLN	0.5871
USDCNY	7.1276	SEKPLN	0.4102

*for 100HUF

Last session in the FX market 25/09/2019

	min	max	open	close	fixing
EURPLN	4.378	4.395	4.380	4.383	4.3844
USDPLN	3.972	4.006	3.976	4.005	3.9856
EURUSD	1.094	1.102	1.101	1.094	-

Interest rate market 25/09/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.48	2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.79	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.04	-1	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	1.70	0	1.86	3	-0.41	0
2L	1.71	0	1.65	5	-0.44	1
3L	1.67	-2	1.57	6	-0.44	1
4L	1.65	-1	1.53	6	-0.45	-1
5L	1.66	-1	1.52	6	-0.40	3
8L	1.66	-1	1.54	6	-0.26	5
10L	1.67	0	1.58	6	-0.15	6

WIBOR rates

Term	%	Change (bps)
O/N	1.63	0
T/N	1.63	-1
SW	1.59	0
2W	1.60	0
1M	1.64	0
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	1.63	-1
3x9	1.78	0
6x12	1.75	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.61	-4
France	21	0	0.30	0
Hungary			2.47	1
Spain	42	0	0.71	-3
Italy	139	-1	1.42	-2
Portugal	43	0	0.73	-1
Ireland	33	0	0.55	-1
Germany	11	-1	-	-

* 10Y treasury bonds over 10Y Bunds

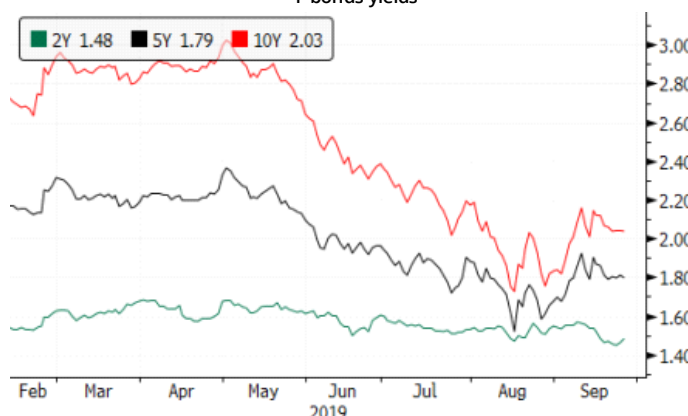
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

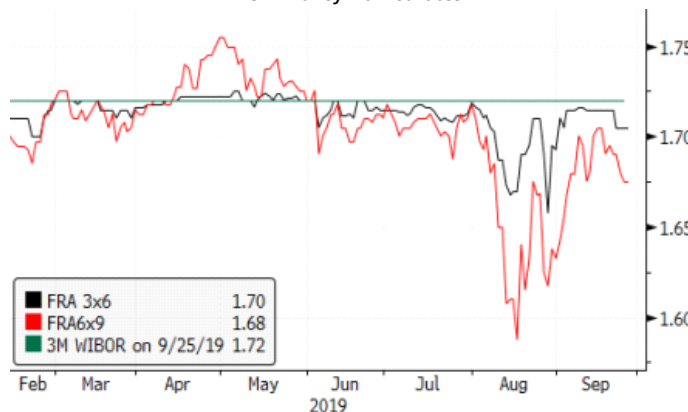
Zloty exchange rate



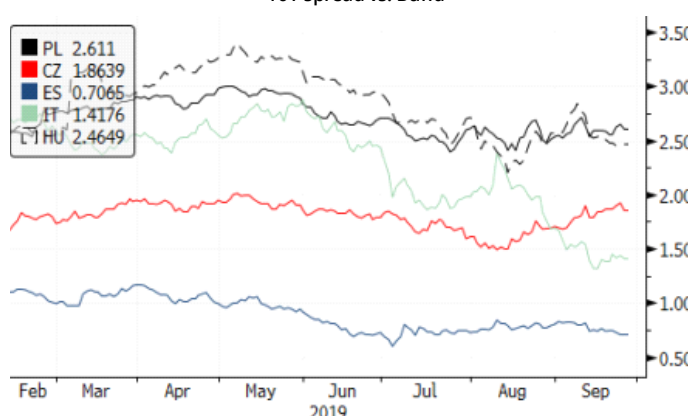
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (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	2.0
16:00	US	New Home Sales	Aug	% m/m	3.3	-	7.1	-8.6
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	212	-		208
16:00	US	Pending Home Sales	Aug	% m/m	1.0	-		-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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