

30 September 2019

# Eyeopener

## Fitch left Poland rating unchanged

Markets stable at the end of week  
Fitch confirms Poland rating  
ESI suggests only mild deceleration in Poland  
Today some euro zone data

On Friday markets were stable with most European indices in the green and stable core bonds. Oil prices gave back the whole previous price spike which occurred after drone attack on Saudi Arabia infrastructure, as a result EM currencies traded weaker, while the zloty remained stable. Gold lost 1.5% and closed below the psychologically important \$1500 level. US personal spending data came out softer than expected while University of Michigan sentiment index and durable goods orders beat expectations.

On Friday **ECB's** Philip Lane said that low unemployment and low inflation remains an uncharted territory for central banks, however, they should keep monetary policy accommodative. He added that the change of the ECB governor is a good opportunity for rethinking ECB's functional framework, and underscored that for some countries in Europe there is a space for countercyclical fiscal policy. Patrick Harker from **Fed** said the US economy is in a „very good shape” and he would hold on rates changes to see how the situation evolves. He would change his mind and become a proponent of cuts if inflation expectations decreased or hiring slowed unexpectedly.

On Friday, **Fitch Ratings** confirmed Poland's sovereign credit score at A- with stable outlook. The agency trimmed GDP growth forecasts for 2019-21 by 0.1-0.2pp, to respectively 4.1%, 3.3% and 2.9%. Moreover, Fitch predicted a significant widening of Poland's fiscal deficit (to 2.3% of GDP in 2020 and 1.9% in 2021), as it did not take into account a number of one-off revenues that the government had planned. According to Fitch, the ECJ ruling regarding FX mortgages could cause a significant rise of costs in Polish banking system, but the 'worst-case' cost estimate (PLN60bn) is subject to significant uncertainty and any impact will very likely be spread across several years.

**ESI indicators** for Poland were quite stable in September, with the exception of worsening retail trade sentiment (expected activity and employment expectations turned the worst in 4-5 years). At the same time consumers remained highly optimistic, still open to major expenditures. In fact the gap between how consumers and the retail trade sector perceive the situation is the largest ever. Industry, construction and services reported further worsening of current activity. The overall ESI index has recently stabilised significantly above the long-term average, which suggests that despite the economic downturn in Europe we can still expect the Polish economy to show only gradual slowdown.

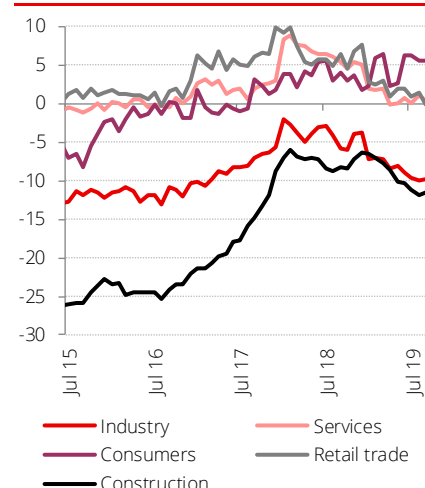
**EURUSD** closed at 1.093 after very low daily volatility. The low volatility environment might prevail till tomorrow's US manufacturing ISM data.

**EURPLN and USDPLN** also have not changed by much, EURPLN closed unchanged at 4.388 (daily amplitude of 1 figure), USDPLN at 4.013, CHFPLN at 4.044 whereas GBPPLN at 4.946. EURHUF temporarily rose to 335.7, EURCZK remained stable at 25.85 and ruble basket lost ca 0.3% due to cheaper oil. We think EURPLN will remain at the current levels or might rise a bit (weaker zloty).

**On the Polish interest rate market**, yields were almost unchanged on Friday and the 10Y bond closed at c2.00%. Core market yield curves were also very stable – Bund closed at -0.59% (implying the PL-DE spread at 257bp), while 10Y UST at 1.70%.

**This week** the key event will be the European Court of Justice ruling on FX mortgage loans (Thursday, 9:30CET). We will also get September flash CPI and PMI index for Polish manufacturing. Abroad there will be many data on economic activity from Europe, the USA and Asia with US labour market release in the spotlight. EURPLN could rise to c.4.50 amid speculation ahead of the ECJ verdict but this should not be a long-lasting move. Polish 10Y bond yield reached 2% support level and we expect the down trend might decelerate in the short term. The uncertainty related to the impact of the ECJ verdict on the Polish banks could weigh on the domestic bonds but the front end could outperform thanks to the CPI release.

ESI indexes for Poland



Source: EC, Santander

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.3800 | CZKPLN  | 0.1694 |
| USDPLN | 4.0056 | HUFPLN* | 1.3062 |
| EURUSD | 1.0935 | RUBPLN  | 0.0620 |
| CHFPLN | 4.0399 | NOKPLN  | 0.4408 |
| GBPPLN | 4.9233 | DKKPLN  | 0.5867 |
| USDCNY | 7.1258 | SEKPLN  | 0.4087 |

\*for 100HUF

### Last session in the FX market 27/09/2019

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.379 | 4.394 | 4.388 | 4.382 | 4.3866 |
| USDPLN | 4.000 | 4.022 | 4.016 | 4.006 | 4.0154 |
| EURUSD | 1.091 | 1.096 | 1.093 | 1.094 | -      |

## Interest rate market 27/09/2019

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

| Benchmark (term) | %    | Change (bps) | Last auction | per offer | Average yield |
|------------------|------|--------------|--------------|-----------|---------------|
| DS1021 (2L)      | 1.48 | 0            | 21 mar 19    | OK0521    | 1.633         |
| PS1024 (5L)      | 1.78 | 0            | 21 mar 19    | PS0424    | 2.209         |
| DS1029 (10L)     | 1.99 | -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            | 1.84 | -1           | -0.42 | 0            |
| 2L                            | 1.70 | 0            | 1.64 | 0            | -0.46 | -1           |
| 3L                            | 1.66 | 0            | 1.56 | 0            | -0.46 | -1           |
| 4L                            | 1.64 | 0            | 1.53 | 0            | -0.44 | -1           |
| 5L                            | 1.64 | 0            | 1.51 | 0            | -0.41 | 0            |
| 8L                            | 1.64 | 0            | 1.54 | 0            | -0.27 | 0            |
| 10L                           | 1.64 | 0            | 1.57 | 0            | -0.16 | 1            |

### WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 1.55 | 14           |
| T/N  | 1.56 | 1            |
| SW   | 1.59 | 0            |
| 2W   | 1.60 | 0            |
| 1M   | 1.63 | 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 | 0            |
| 6x9  | 1.68 | 1            |
| 9x12 | 1.64 | 1            |
| 3x9  | 1.77 | 0            |
| 6x12 | 1.74 | 0            |

### Measures of fiscal risk

| Country  | CDS 5Y USD |              | 10Y spread* |              |
|----------|------------|--------------|-------------|--------------|
|          | Level      | Change (bps) | Level       | Change (bps) |
| Poland   |            |              | 2.54        | -4           |
| France   | 20         | 0            | 0.30        | 0            |
| Hungary  |            |              | 2.52        | -2           |
| Spain    | 41         | -1           | 0.72        | -1           |
| Italy    | 138        | -3           | 1.40        | 0            |
| Portugal | 42         | -1           | 0.73        | -1           |
| Ireland  | 33         | -1           | 0.54        | 0            |
| 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

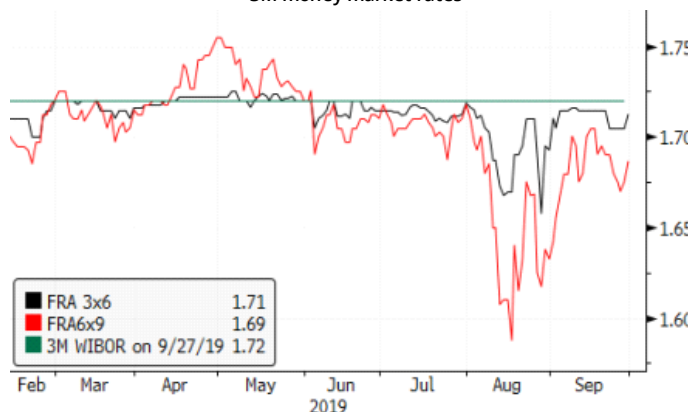
## Zloty exchange rate



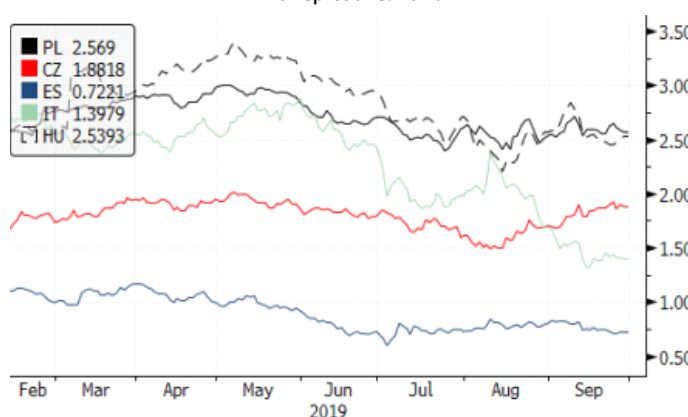
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| TIME<br>CET           | COUNTRY | INDICATOR                   | PERIOD | FORECAST |           | ACTUAL | LAST               |
|-----------------------|---------|-----------------------------|--------|----------|-----------|--------|--------------------|
|                       |         |                             |        | MARKET   | SANTANDER | VALUE  | VALUE*             |
| FRIDAY (27 September) |         |                             |        |          |           |        |                    |
| 10:13                 | PL      | Central Budget Cumul.       | Aug    | mn PLN   | -         | -      | -1981.0<br>-4783.0 |
| 11:00                 | EZ      | ESI                         | Sep    | pct.     | 103.0     | -      | 101.7<br>103.1     |
| 14:30                 | US      | Durable Goods Orders        | Aug    | % m/m    | -1.0      | -      | 0.2<br>2.0         |
| 14:30                 | US      | Personal Spending           | Aug    | % m/m    | 0.3       | -      | 0.1<br>0.5         |
| 14:30                 | US      | Personal Income             | Aug    | % m/m    | 0.4       | -      | 0.4<br>0.1         |
| 14:30                 | US      | PCE Deflator SA             | Aug    | % m/m    | 0.1       | -      | 0.0<br>0.2         |
| 16:00                 | US      | Michigan index              | Sep    | pts      | 92.1      | -      | 93.2<br>92.0       |
| MONDAY (30 September) |         |                             |        |          |           |        |                    |
| 11:00                 | EZ      | Unemployment Rate           | Aug    | %        | 7.5       | -      | 7.5                |
| 14:00                 | DE      | HICP                        | Sep    | % m/m    | 0.0       | -      | -0.1               |
| TUESDAY (1 October)   |         |                             |        |          |           |        |                    |
| 09:00                 | CZ      | GDP SA                      | 2Q     | % y/y    | 2.7       | -      | 2.7                |
| 09:00                 | PL      | Poland Manufacturing PMI    | Sep    | pts      | 47.3      | 48.0   | 48.8               |
| 09:55                 | DE      | Germany Manufacturing PMI   | Sep    | pts      | 41.4      | -      | 41.4               |
| 10:00                 | EZ      | Eurozone Manufacturing PMI  | Sep    | pts      | 45.6      | -      | 45.6               |
| 10:00                 | PL      | CPI                         | Sep    | % y/y    | 2.7       | 2.6    | 2.9                |
| 11:00                 | EZ      | Flash HICP                  | Sep    | % y/y    | 1.0       | -      | 1.0                |
| 16:00                 | US      | ISM manufacturing           | Sep    | pts      | 50.5      | -      | 49.1               |
| WEDNESDAY (2 October) |         |                             |        |          |           |        |                    |
|                       | PL      | MPC decision                |        | %        | 1.50      | 1.50   | 1.50               |
| 14:15                 | US      | ADP report                  | Sep    | k        | 137.5     | -      | 195.4              |
| THURSDAY (3 October)  |         |                             |        |          |           |        |                    |
| 09:55                 | DE      | Markit Germany Services PMI | Sep    | pts      | 52.5      | -      | 52.5               |
| 9:30                  | PL      | ECJ verdict                 |        |          |           |        |                    |
| 10:00                 | EZ      | Eurozone Services PMI       | Sep    | pts      | 52.0      | -      | 52.0               |
| 11:00                 | EZ      | Retail Sales                | Aug    | % m/m    | 0.35      | -      | -0.6               |
| 14:30                 | US      | Initial Jobless Claims      | week   | k        | 211       | -      | 213                |
| 16:00                 | US      | ISM services                | Sep    | pts      | 55.0      | -      | 56.4               |
| 16:00                 | US      | Factory Orders              | Aug    | % m/m    | -0.5      | -      | 1.4                |
| FRIDAY (4 October)    |         |                             |        |          |           |        |                    |
| 14:30                 | US      | Change in Nonfarm Payrolls  | Sep    | k        | 140       | -      | 130                |
| 14:30                 | US      | Unemployment Rate           | Sep    | %        | 3.7       | -      | 3.7                |

Source: Santander Bank Polska, Bloomberg, Parkiet  
\* in the case of a revision the data is updated

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