

1 October 2019

# Eyeopener

## Poland PMI confirms slowdown

Zloty slightly stronger, EURUSD lowest this year  
No big changes on the bond market  
Poland PMI down as expected  
Today Poland flash September CPI and US manufacturing ISM

On Monday the dollar index and developed markets equities were rising slightly while EM stocks declined somewhat. Bond yields on core markets went down a bit and most of CEEMEA currencies gained. Oil prices remained stable, gold and silver lost some value. Yesterday Chinese PMI indexes for industry were released – the government index rose to 49.8 pts from 49.5 and Caixin/Markit index to 51.4 from 50.4. The unemployment rate in the euro zone declined to 7.4%, the lowest in 11 years, and in Italy to 9.5%. Despite the fact that the indicator is published with a delay it may be taken as a signal that the European economies are not giving up to the negative pressure from manufacturing sectors and the falling inflation. The solid labour market is a key support for the services sector and may mean the sector will remain strong and that the European economies will evade recession. In the USA, a disappointing Chicago PMI reading was released (drop to 47.1 pts from 50.4) and Dallas Fed, but markets did not react to these. The central bank of Australia cut rates by 25bp to 0.75%, following other major central banks.

**Poland's manufacturing PMI** fell in September to 47.8 pts from 48.8 pts in line with expectations. The accompanying report is quite grim: the lowest level of new orders index in over ten years, with poor readings of both domestic and foreign components, signals about weak demand from Western Europe, especially Germany and France. What is more, current output index remained below the neutral level and output expectations turned record low (the series began in 2012). Purchasing activity was also reduced (the index is the lowest in six years). Companies also faced negative pressure on profit margins – costs going up while output prices were stable. The recent readings of Polish industrial production were disappointing and the PMI report for September does not leave much hope for a rebound (not taking into account the positive working day effect. While Polish industry already feels the weaker demand from the EU, the labour market remains strong and the economy is supported by fiscal stimulus. Still, GDP growth in 3Q was most likely significantly weaker than 4.5% y/y recorded in 2Q.

**Today at 10:00CET** the stat office will release Poland flash September CPI. Inflation retreated to 2.6% y/y, according to our estimate, mainly due to lower food and fuel prices. But it will be a short-term correction and in the following months we should see continuation of upward trend, to above 4% in early 2020. Moreover, core inflation probably rose to 2.4% y/y in September.

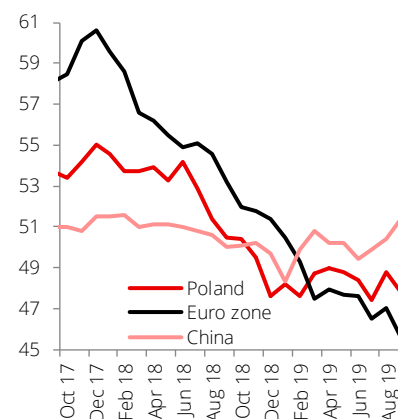
**The dollar index** gained 0.3%, to 99.4, amid low volatility. Such dollar behaviour, amid lack of important macroeconomic data, shows the potential for dollar strengthening and that the trend will be maintained. The next important level to watch is 103.5. EURUSD fell below 1.09, setting this year's new low. There is apparent nervous atmosphere on the market ahead of the potential move even lower. This is an important news in the context of USDPLN, which in case of zloty depreciation may increase the most.

**EURPLN**, similarly as other currencies in the region, was declining on Monday and closed the session at 4.367, c.0.4% lower. USDPLN closed unchanged at 4.005. We think that after a small correction the EURPLN may stay elevated or even increase more in anticipation of ECJ ruling regarding FX mortgage issue. Yesterday, EURHUF fell to 334.50, EURCZK to 25.78. USDRUB soared amid stronger dollar and closed at 64.83.

**Monday was quiet on the Polish fixed income market** with yields moving only slightly and this only on the short end (2Y to 1.52% from 1.50%) while the long end remained stable at 2.0%. The 10Y spread vs Bund have not changed either and remained at 257bp, while 10Y asset swap marginally tightened to 34bp. Price behaviour in the core market was slightly more interesting with 2Y German bond yields falling 2bp to -0.77, while 30Y rose to -0.07% (up 2 bp). US yield curve closed the day unchanged.

Ministry of Finance published a debt supply calendar for Q4 and, importantly, cancelled this Thursday's auction. This is the exact day the ECJ is about to make a ruling about the CHF-denominated mortgages. There are going to be 3-4 switch auctions in Q4, the nearest one on Friday 25 October. In 4Q19 we will see just one regular auction. Ministry of Finance said that it has already financed 22% of the borrowing needs for 2020.

### Manufacturing PMI



Source: Bloomberg, Markit, Santander

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## FX market

### Today's opening

EURPLN	4.3723	CZKPLN	0.1695
USDPLN	4.0152	HUFPLN*	1.3054
EURUSD	1.0890	RUBPLN	0.0619
CHFPLN	4.0185	NOKPLN	0.4405
GBPPLN	4.9349	DKKPLN	0.5857
USDCNY	7.1483	SEKPLN	0.4072

\*for 100HUF

### Last session in the FX market 30/09/2019

	min	max	open	close	fixing
EURPLN	4.368	4.392	4.385	4.371	4.3736
USDPLN	3.998	4.023	4.005	4.009	4
EURUSD	1.089	1.095	1.095	1.090	-

## Interest rate market 30/09/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.50	2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.77	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	1.83	-1	-0.42	0
2L	1.71	1	1.63	-1	-0.45	0
3L	1.67	1	1.55	-1	-0.45	0
4L	1.65	1	1.52	-1	-0.44	0
5L	1.65	1	1.51	0	-0.41	0
8L	1.65	1	1.54	0	-0.26	0
10L	1.66	1	1.58	0	-0.15	1

## WIBOR rates

Term	%	Change (bps)
O/N	1.54	-1
T/N	1.56	0
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	0
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 -3
France	20 -1	0.30 1
Hungary		2.52 -2
Spain	40 0	0.71 -1
Italy	135 -4	1.38 -1
Portugal	42 0	0.72 -1
Ireland	33 -1	0.54 0
Germany	10 0	- -

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

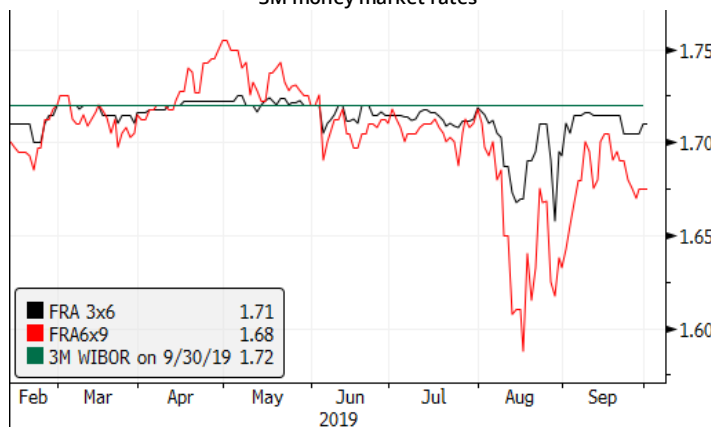
## Zloty exchange rate



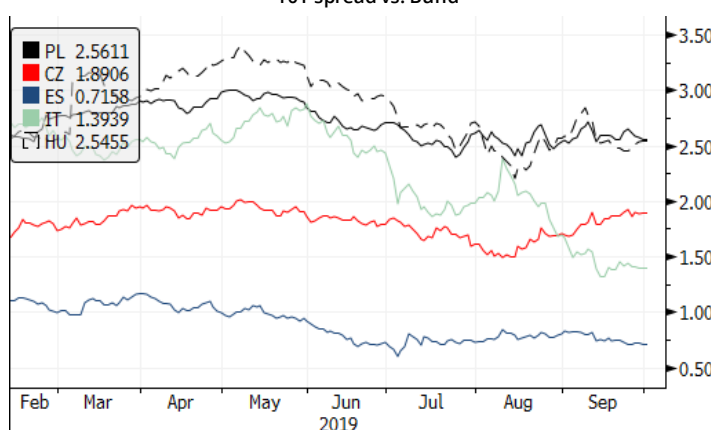
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (27 September)								
10:13	PL	Central Budget Cumul.	Aug	mn PLN	-	-	-1981.0	-4783.0
11:00	EZ	ESI	Sep	pct.	103.0	-	101.7	103.1
14:30	US	Durable Goods Orders	Aug	% m/m	-1.0	-	0.2	2.0
14:30	US	Personal Spending	Aug	% m/m	0.3	-	0.1	0.5
14:30	US	Personal Income	Aug	% m/m	0.4	-	0.4	0.1
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	-	0.0	0.2
16:00	US	Michigan index	Sep	pts	92.1	-	93.2	92.0
MONDAY (30 September)								
11:00	EZ	Unemployment Rate	Aug	%	7.5	-	7.4	7.5
14:00	DE	HICP	Sep	% m/m	0.0	-	-0.1	-0.1
TUESDAY (1 October)								
09:00	CZ	GDP SA	2Q	% y/y	2.7	-	2.8	2.7
09:00	PL	Poland Manufacturing PMI	Sep	pts	47.3	48.0	47.8	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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