

3 October 2019

# Eyeopener

## Awaiting the verdict

Risk aversion back on the global market  
MPC meeting without breaking news  
Zloty gains, EURUSD up  
Today the ECJ verdict

On Wednesday markets traded in risk aversion mode. European stock indexes fell for the second day in a row, this time by 2.5%, and 4% total from Friday's close. This was a result of weak US data a day before as well as a decision by WTO which gave the US green light to impose tariffs to up to \$7.5bn per year on European products. The tariff hike is seen as a retaliatory move for government subsidies for Airbus. German Economy Minister Peter Altmaier said that the German growth has some challenges ahead but at the time being he does not see a full blown crisis. He underscored that currently is not the right time to discuss changes to the „black zero“ fiscal policy which does not allow for budget deficits. NY Fed's John Williams said that president Trump's comments have no influence on the Fed monetary policy whatsoever. He said the US economy remains very strong but there are some risks which might soften growth. The direct effect of tariffs on growth is relatively small but the effect of uncertainty that the trade war creates is less well known and the situation changes from the week to another.

Today at 9:30CET the **European Court of Justice is to present its verdict on CHF loan issue**. In this context, it is worth to name a few important points. First, the verdict will not cause any automatic and abrupt decisions in the banking system or in courts. If the verdict proves negative for the banks, it can encourage debtors to sue banks and possible increase the probability that Polish courts will rule in favour of debtors. However, this will be a lengthy process. Second, the verdict itself could be long and dubious, so it will be impossible to estimate the scale of financial costs in the banking system. In due course, it is difficult to forecast the market developments after the ECJ ruling, but we would not bet on a sudden PLN depreciation. Even if the zloty loses, the sell-off would rather be short-lived. The potential scale of the move should be limited the demand of exporters for PLN, possibility of intervention of government (BGK) and profit-taking.

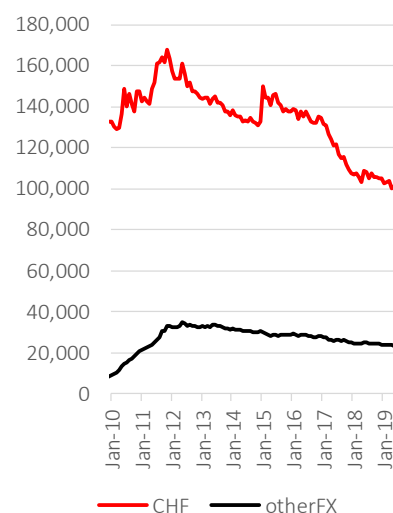
**Yesterday the Polish MPC** left rates unchanged. At the press conference, Governor Adam Glapiński said that arguments for tighter policy are quickly disappearing of late as the global outlook gets worse. He did not however say that the number of arguments for rate cuts is growing. In particular, if the slowdown in Poland continues in a gradual way, this will be no reason to ease policy. In his view it is highly probable rates will stay unchanged until the end of his term. Glapiński also mentioned updated NBP forecasts for 2019: 4.3% for GDP (vs 4.5% in July projection) and 2.3% for CPI (2.0% in July). We do not expect any changes to interest rates in Poland coming this year or next.

On Wednesday **EURUSD** opened and closed at 1.094 however was pretty volatile during the day – trading close (but not breaking) the 1.09 level (around 0.3%). FX options market puts equal probability of a move higher or lower from current levels. In the next 2 days there will be a couple of market moving events – today ISM services, and tomorrow Non-farm payrolls.

**EURPLN**, after stabilising during the session in Asia, attempted to go up (the session's high at 4.385), but then retreated in the second part of the day, especially during the MPC press conference. The session ended at 4.356, stronger by almost 0.5%. EURHUF was following a similar path, with a bit stronger appreciation (0.6%). USDRUB closed unchanged at 65.3, after intra-day volatility of c.0.6%.

**On the Polish interest rate market**, yields went down together with stronger core markets, where the US yield curve dropped further, by 6-7bp, with 10Y UST reaching 1.59%. The German curve made a parallel shift down by 1bp, with 10Y Bund at -0.55%. Polish swaps remained stable and bond yields fell by 2-4bp and 10Y paper closed at 1.99%. The short end of the Polish curve also went down, by 4bp to 1.47%.

Value of foreign currency mortgage loans  
(in PLN bn)



Source: NBP, Santander

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## FX market

### Today's opening

EURPLN	4.3612	CZKPLN	0.1692
USDPLN	3.9820	HUFPLN*	1.3071
EURUSD	1.0952	RUBPLN	0.0611
CHFPLN	3.9819	NOKPLN	0.4359
GBPPLN	4.8956	DKKPLN	0.5842
USDCNY	7.1483	SEKPLN	0.4028

\*for 100HUF

### Last session in the FX market 02/10/2019

	min	max	open	close	fixing
EURPLN	4.356	4.386	4.382	4.363	4.3788
USDPLN	3.976	4.016	4.006	3.981	4.0152
EURUSD	1.090	1.096	1.094	1.096	-

## Interest rate market 02/10/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.49	0	21 mar 19	OK0521	1.633
PS1024 (5L)	1.75	-3	21 mar 19	PS0424	2.209
DS1029 (10L)	2.00	0	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	1.72	-7	-0.43	0
2L	1.72	0	1.51	-7	-0.46	-1
3L	1.68	0	1.43	-7	-0.46	-1
4L	1.68	1	1.40	-7	-0.44	0
5L	1.68	1	1.39	-7	-0.41	0
8L	1.68	0	1.44	-6	-0.26	0
10L	1.69	0	1.49	-5	-0.15	0

### WIBOR rates

Term	%	Change (bps)
O/N	1.56	1
T/N	1.56	0
SW	1.60	1
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	1.71	0
6x9	1.69	0
9x12	1.69	3
3x9	1.78	0
6x12	1.76	1

### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.57	2
France	20	1	0.30	0
Hungary			2.54	3
Spain	39	1	0.72	0
Italy	130	2	1.45	0
Portugal	40	1	0.73	0
Ireland	33	0	0.57	5
Germany	10	0	-	-

\* 10Y treasury bonds over 10Y Bunds

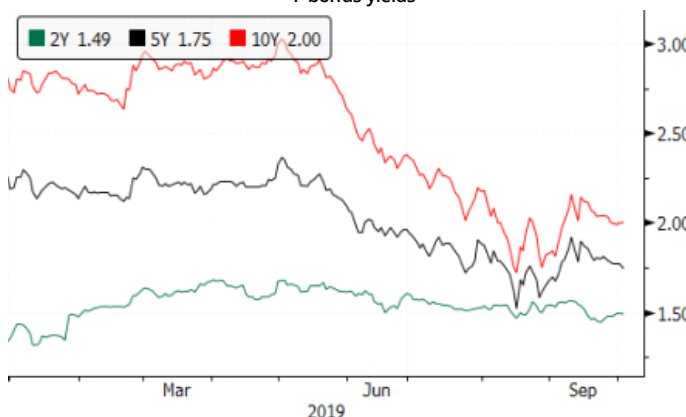
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

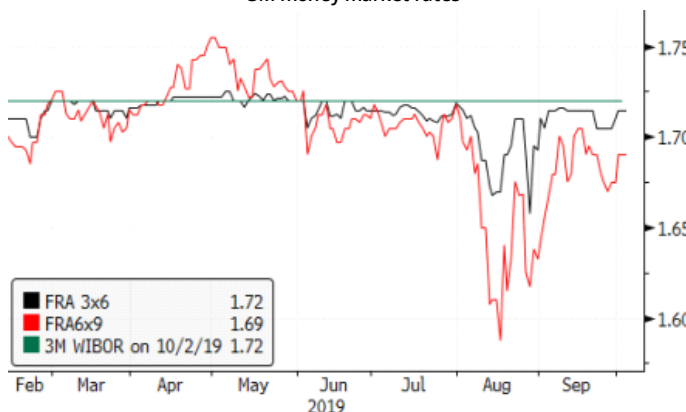
## Zloty exchange rate



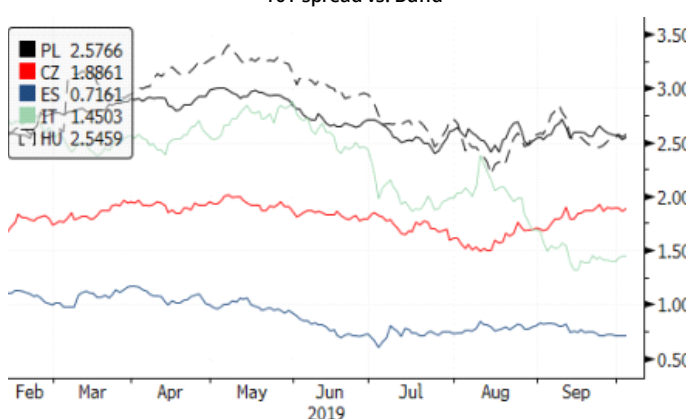
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

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	-	41.7	41.4
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	45.6	-	45.7	45.6
10:00	PL	CPI	Sep	% y/y	2.7	2.6	2.6	2.9
11:00	EZ	Flash HICP	Sep	% y/y	1.0	-	0.9	1.0
16:00	US	ISM manufacturing	Sep	pts	50.0	-	47.8	49.1
WEDNESDAY (2 October)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
14:15	US	ADP report	Sep	k	140	-	135	157
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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