

10 October 2019

Eyeopener

Markets focused on trade talks

Divergent news on US-China trade talks
Zloty stable, EURUSD waiting for an impulse
Domestic bonds without bigger moves
Today important US data

European session was quiet in terms of FX moves – most of the currency pairs remained between the highs and lows from the recent days. Stock indices gained during the session and government bonds lost with increased hopes that high-level US-China talks could bring some positive outcomes. According to Financial Times, China said that it is open to partial US trade deal despite tech blacklist and would also increase purchases of US soybeans. Overnight, divergent news regarding trade talks created some volatility during Asian session. Contradictory news flow was seen on the Brexit issue as well. Initially the GBP gained after the news that the EU is likely to make concession regarding the backstop mechanism. The news has been later denied. German data on international trade released this morning were disappointing: exports dropped by 1.8% m/m while the market expected -1.0%, imports went up 0.5% m/m as expected.

Minutes from the last FOMC meeting did not deliver fuel for market moves. The document read that some members would like to set the target for how deep interest rates could be cut in the current monetary policy recalibration. Some members were also worried about overgrown market expectations about the scale of easing. However, the division of opinions within the FOMC was already known to the market due to the dot plot.

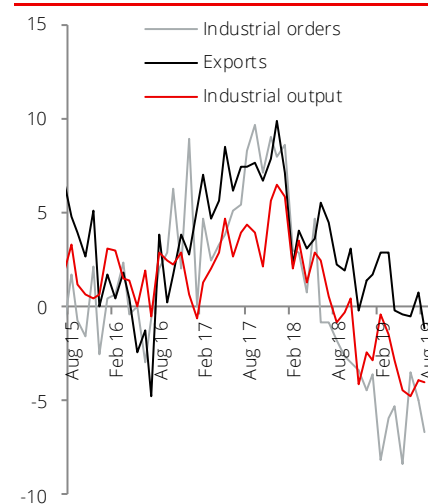
Yesterday **EURUSD** climbed to 1.098 from 1.096 where it stabilised ahead of evening release of FOMC minutes, which eventually failed to satiate market participants' demand for impulses. Today in the afternoon we will get to see important US data – September inflation and weekly jobless claims. In our view, inflation numbers can prove especially important. EURUSD remains stable close to October peak at 1.10 set at the start of the month and is awaiting an impulse.

EURPLN was oscillating around 4.325 for the fourth session in a row, while USDPLN remained close to 3.94. A bit higher volatility was observed in the case of other CEE currencies – the forint weakened versus the euro, the koruna was under pressure in the first part of the session, but eventually managed to trim its losses, while the ruble gained versus the dollar thanks to rising oil prices. We stick to our opinion that EURPLN is likely to stay above 4.30-4.31 in the days to come.

On the **domestic interest rate market** Wednesday saw no big changes. Bond yields stayed near Tuesday's closing levels or rose slightly while the IRS curve flattened a bit as the mid- and long-term rates fell slightly. The 10Y Bund and Treasuries lost (yields rose by c3bp) and so the PL-DE spread narrowed somewhat. Publication of the FOMC minutes did not affect the core markets.

Moody's rating agency informed that it keeps its Polish GDP growth forecasts for 2019 and 2020 unchanged at 4.4% and 3.7%, respectively. In its view, domestic economy will be supported by the private consumption and inflow of the EU funds. At the same time, Moody's sees uncertainty related to the economic policy (that has recently became more interventionist, in the agency's view) and risk steaming from the FX mortgage loans as main challenges. Tomorrow Moody's could present its full report on Poland but since it has already released the opinion yesterday, we think that only S&P might deliver a country review on Friday.

German economic activity, %y/y



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.3228	CZKPLN	0.1676
USDPLN	3.9311	HUFPLN*	1.2936
EURUSD	1.0996	RUBPLN	0.0607
CHFPLN	3.9552	NOKPLN	0.4298
GBPPLN	4.8056	DKKPLN	0.5788
USDCNY	7.1144	SEKPLN	0.3962

*for 100HUF

Last session in the FX market 09/10/2019

	min	max	open	close	fixing
EURPLN	4.320	4.330	4.327	4.320	4.3257
USDPLN	3.932	3.953	3.950	3.937	3.9382
EURUSD	1.094	1.099	1.095	1.097	-

Interest rate market 09/10/2019

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)	1.65	1	21 mar 19	PS0424	2.209
DS1029 (10L)	1.89	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	1.69	1	-0.43	1
2L	1.70	0	1.50	3	-0.46	2
3L	1.64	0	1.43	4	-0.45	3
4L	1.61	0	1.40	4	-0.42	3
5L	1.61	0	1.39	4	-0.39	4
8L	1.59	-1	1.44	5	-0.24	4
10L	1.60	-1	1.50	5	-0.12	4

WIBOR rates

Term	%	Change (bps)
O/N	1.60	0
T/N	1.60	0
SW	1.60	0
2W	1.60	0
1M	1.63	-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	0
6x9	1.68	0
9x12	1.64	0
3x9	1.77	0
6x12	1.75	0

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.44	1
France	20	1	0.33	0
Hungary			2.39	0
Spain	41	0	0.71	1
Italy	134	0	1.43	1
Portugal	41	0	0.69	1
Ireland	33	1	0.55	0
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

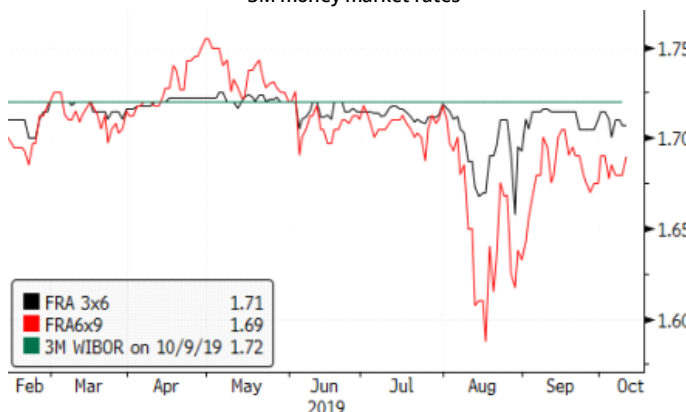
Zloty exchange rate



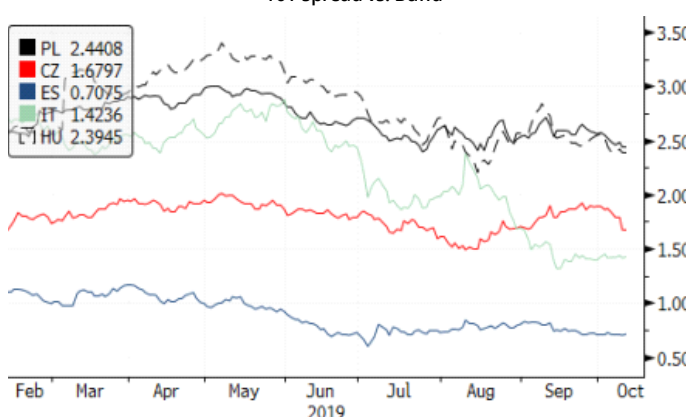
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (4 October)								
14:30	US	Change in Nonfarm Payrolls	Sep	k	145	-	136	168
14:30	US	Unemployment Rate	Sep	%	3.7	-	3.5	3.7
MONDAY (7 October)								
08:00	DE	Factory Orders	Aug	% m/m	-0.3	-	-0.6	-2.1
09:00	CZ	Industrial Production	Aug	% y/y	-3.3	-	-3.8	5.6
09:00	HU	Industrial Production SA	Aug	% y/y	4.9	-	2.7	8.7
TUESDAY (8 October)								
03:45	CN	Caixin China PMI Services	Sep	pts	52.0	-	51,3	52.1
08:00	DE	Industrial Production SA	Aug	% m/m	-0.3	-	0,3	-0.6
09:00	HU	CPI	Sep	% y/y	2.9	-	2.8	3.1
WEDNESDAY (9 October)								
20:00	US	FOMC Meeting Minutes						
THURSDAY (10 October)								
08:00	DE	Exports SA	Aug	% m/m	-1.0	-	-1.8	0.7
09:00	CZ	CPI	Sep	% y/y	2.9	-		2.9
14:30	US	CPI	Sep	% m/m	0.1	-		0.1
14:30	US	Initial Jobless Claims	week	k	220	-		213
FRIDAY (11 October)								
	PL	Rating review: S&P				A-		A-
	PL	Rating review: Moody's				A2		A2
08:00	DE	HICP	Sep	% m/m	-0.1	-		-0.1
16:00	US	Michigan index	Oct	pts	92.3	-		93.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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