

29 October 2019

# Eyeopener

## Brexit delayed again

UK snap elections motion rejected  
 EURUSD stable, zloty slightly stronger  
 Long-end yields in Poland and on core markets rose  
 Today US real estate data and consumer confidence

Monday passed in positive moods, with DM stock markets going north: S&P by 0.6%, Eurostoxx by 0.3%. EM equities followed a similar path – Shanghai added 0.8% and Argentine market as much as 3.1% after centre-left candidate won presidential election. Global dollar index remained unchanged at 97.8 and the British pound slightly gained versus the dollar. EM currencies gained together with Argentine peso (1.7%), but high-yielders were clearly outperforming: the Turkish lira, the South African rand and the Brazilian real. Core market yields were climbing at a fast pace, yield curves were steepening and EM yields took cue. Gold and silver prices went down by 1.0-1.5%. Oil went up only slightly, but on the weekly chart it has gained as much as 6%. Second-tier data on US wholesale inventories did not spoil the positive market mood.

The **EU agreed to postpone the Brexit until 31 January 2020**, with a possible exit before this date if the British parliament manages to ratify the deal earlier. The EU warned there is no possibility to renegotiate the deal. On Monday the British Parliament put snap elections on 12 December to a vote, but PM Johnson lost it (getting only 299 votes vs 434 necessary to pass), as elections was not supported by Jeremy Corbyn's Labour Party, worried that conservatives could push the "hard Brexit" option if they won the election. PM Johnson announced that also today he will put the elections to a vote but with a slightly closer date and using another procedure, where a simple majority is enough to win.

There is still **no clear guidance on limit of social contributions** from the government. The Finance Minister Jerzy Kwieciński said that keeping it in place would cost the budget PLN5.0bn. At the same time, the entrepreneurship and technology minister Jadwiga Emilewicz informed that there is an agreement that the limit will not be abolished. At the same time, the deputy energy minister said it is too early to declare whether energy price for households will still be frozen in 2020.

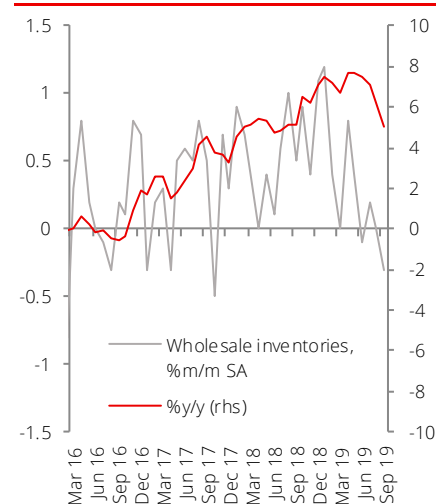
**EURUSD** was stable on Monday and rose only by 10 pips ending the day at 1.109. GBPUSD climbed by 0.3%.

**EURPLN** and **USDPLN** fell by 0.2% on Monday amid positive global market mood and closed at 4.273 and 3.852, respectively. CHFPLN ended the day at 3.87 and GBPPLN at 4.95. The other CEE currencies gained as well – EURHUF fell 0.2% to 328, EURCZK by 0.3% to 25.48 and USDRUB by 0.5% to 63.66 despite the Brent oil price falling 1%.

On the domestic **interest rate market** yield rise on the long end was larger than on the front end and the 2-10Y spread is now at 55bp with the 10Y yield at 2.02%. Even bigger moves were recorded in case of the IRS curve – the 10Y rate jumped 8bp to 1.83%. The 10Y asset swap spread narrowed to 0.19%, by 4bp. Core yields were on the rise as well amid information about progress in the US-China trade talks. Bund ended the day at -0.33% (+5bp) and UST at 1.85% (+8bp).

**Today** important US data will be released – pending home sales and the Conference Board consumer confidence index.

### US wholesale inventories



Source: Bloomberg, Santander

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.2734 | CZKPLN  | 0.1673 |
| USDPLN | 3.8534 | HUFPLN* | 1.3021 |
| EURUSD | 1.1090 | RUBPLN  | 0.0604 |
| CHFPLN | 3.8737 | NOKPLN  | 0.4172 |
| GBPPLN | 4.9527 | DKKPLN  | 0.5719 |
| USDCNY | 7.0561 | SEKPLN  | 0.3961 |

\*for 100HUF

### Last session in the FX market 28/10/2019

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.270 | 4.284 | 4.278 | 4.273 | 4.2732 |
| USDPLN | 3.847 | 3.865 | 3.859 | 3.848 | 3.8529 |
| EURUSD | 1.108 | 1.111 | 1.108 | 1.110 | -      |

## Interest rate market 28/10/2019

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

| Benchmark (term) | %    | Change (bps) | Last auction | per offer | Average yield |
|------------------|------|--------------|--------------|-----------|---------------|
| DS1021 (2L)      | 1.47 | 0            | 21 mar 19    | OK0521    | 1.633         |
| PS1024 (5L)      | 1.74 | 4            | 21 mar 19    | PS0424    | 2.209         |
| DS1029 (10L)     | 2.02 | 4            | 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                            | 1.70 | 0            | 1.78 | 1            | -0.36 | 0            |
| 2L                            | 1.74 | 1            | 1.68 | 3            | -0.35 | 1            |
| 3L                            | 1.73 | 1            | 1.64 | 3            | -0.32 | 1            |
| 4L                            | 1.74 | 2            | 1.63 | 4            | -0.29 | 3            |
| 5L                            | 1.77 | 3            | 1.63 | 4            | -0.24 | 3            |
| 8L                            | 1.79 | 4            | 1.70 | 5            | -0.07 | 4            |
| 10L                           | 1.82 | 6            | 1.76 | 5            | 0.06  | 5            |

### WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 1.65 | 4            |
| T/N  | 1.65 | 4            |
| SW   | 1.59 | 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  | 1.71 | 0            |
| 3x6  | 1.71 | 0            |
| 6x9  | 1.68 | 0            |
| 9x12 | 1.65 | -2           |
| 3x9  | 1.78 | -1           |
| 6x12 | 1.75 | 0            |

### Measures of fiscal risk

| Country  | CDS 5Y USD         | 10Y spread*        |
|----------|--------------------|--------------------|
|          | Level Change (bps) | Level Change (bps) |
| Poland   |                    | 2.35 1             |
| France   | 19 1               | 0.30 0             |
| Hungary  |                    | 2.30 -1            |
| Spain    | 34 1               | 0.64 0             |
| Italy    | 112 -1             | 1.34 2             |
| Portugal | 35 1               | 0.58 0             |
| Ireland  | 27 -1              | 0.41 0             |
| Germany  | 9 0                | - -                |

\* 10Y treasury bonds over 10Y Bunds

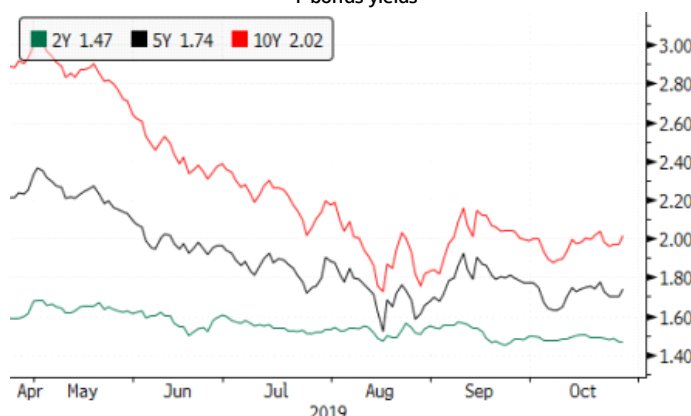
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

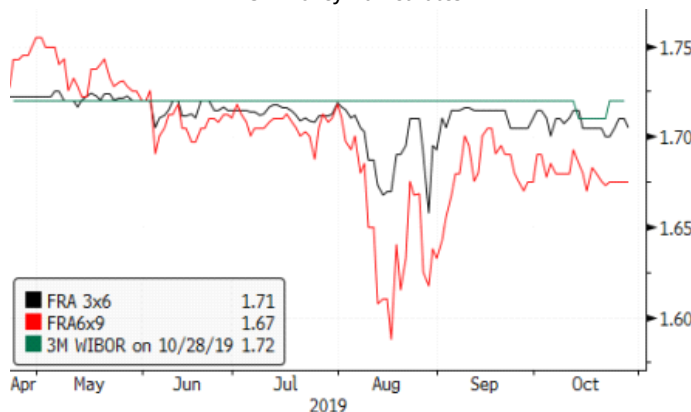
## Zloty exchange rate



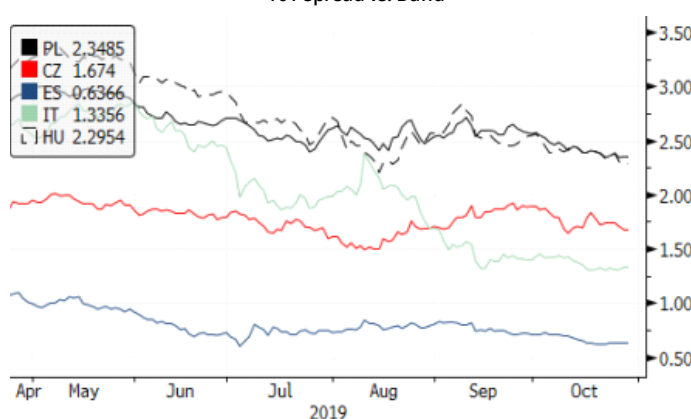
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| TIME<br>CET            | COUNTRY | INDICATOR                  | PERIOD |       | FORECAST |           | ACTUAL<br>VALUE | LAST<br>VALUE* |
|------------------------|---------|----------------------------|--------|-------|----------|-----------|-----------------|----------------|
|                        |         |                            |        |       | MARKET   | SANTANDER |                 |                |
| FRIDAY (25 October)    |         |                            |        |       |          |           |                 |                |
| 10:00                  | DE      | IFO Business Climate       | Oct    | pts   | 94.5     |           | 94.6            | 94.6           |
| 16:00                  | US      | Michigan index             | Oct    | pts   | 96.0     |           | 95.5            | 96.0           |
| MONDAY (28 October)    |         |                            |        |       |          |           |                 |                |
| No major releases      |         |                            |        |       |          |           |                 |                |
| TUESDAY (29 October)   |         |                            |        |       |          |           |                 |                |
| 15:00                  | US      | Consumer Conference Board  | Oct    | pts   | 127.8    |           | -               | 125.1          |
| 15:00                  | US      | Pending Home Sales         | Sep    | % m/m | 1.0      |           | -               | 1.6            |
| WEDNESDAY (30 October) |         |                            |        |       |          |           |                 |                |
| 11:00                  | EZ      | ESI                        | Oct    | pct.  | 101.1    |           | -               | 101.7          |
| 13:15                  | US      | ADP report                 | Oct    | k     | 132.0    |           | -               | 134.9          |
| 13:30                  | US      | GDP Annualized             | 3Q     | % Q/Q | 1.6      |           | -               | 2.0            |
| 14:00                  | DE      | HICP                       | Oct    | % m/m | 0.0      |           | -               | -0.1           |
| 19:00                  | US      | FOMC decision              | Oct.19 |       | 2.0      |           | -               | 2.0            |
| THURSDAY (31 October)  |         |                            |        |       |          |           |                 |                |
| 08:00                  | DE      | Retail Sales               | Sep    | % m/m | 0.25     |           | -               | -0.1           |
| 10:00                  | PL      | CPI                        | Oct    | % y/y | 2.5      | 2.5       | -               | 2.6            |
| 11:00                  | EZ      | Flash HICP                 | Oct    | % y/y | 0.7      |           | -               | 0.9            |
| 11:00                  | EZ      | GDP SA                     | 3Q     | % y/y | 1.1      |           | -               | 1.2            |
| 11:00                  | EZ      | Unemployment Rate          | Sep    | %     | 7.4      |           | -               | 7.4            |
| 13:30                  | US      | Initial Jobless Claims     | Oct.19 | k     | 215.0    |           | -               | 212.0          |
| 13:30                  | US      | Personal Spending          | Sep    | % m/m | 0.3      |           | -               | 0.1            |
| 13:30                  | US      | Personal Income            | Sep    | % m/m | 0.3      |           | -               | 0.4            |
| 13:30                  | US      | PCE Deflator SA            | Sep    | % m/m | 0.0      |           | -               | 0.0            |
| FRIDAY (1 November)    |         |                            |        |       |          |           |                 |                |
| 13:30                  | US      | Change in Nonfarm Payrolls | Oct    | k     | 95.0     |           | -               | 136.0          |
| 13:30                  | US      | Unemployment Rate          | Oct    | %     | 3.6      |           | -               | 3.5            |
| 15:00                  | US      | ISM manufacturing          | Oct    | pts   | 49.0     |           | -               | 47.8           |

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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