

6 November 2019

# Eyeopener

## Today MPC decision and NBP staff forecasts

Positive moods maintained, US data better than expected  
 Zloty stable to euro and weaker to dollar after decline in EURUSD  
 Polish bonds lost given weaker papers abroad  
 Today MPC decision, main points of NBP forecasts and data from Europe

On Tuesday the mood on the markets was positive, as a day before, which was a result of the the weekend news on US-China trade negotiations. Anonymous sources claim that Beijing would like president Trump not only refrain from increasing the tariffs more but also to cut the already imposed ones. PBoC cut the medium-term loans rate to 3.25% by 0.05pp symbolically easing the monetary policy. In the US better than expected October ISM non-manufacturing print rebounded from the September reading which was the weakest since 2016. Better macroeconomic data together with hopes for at least partial truce on the tariff war front resulted that stock indices rose, dollar gained and bond prices were under pressure.

Poland will pay EUR4.5bn into the European Union in 2020. The **contribution to EU budget** will rise to EUR6.18bn in 2027. The average ratio of the contribution vs GNI was set at 0.97%. On a nominal basis – Poland's contributions will be 6th largest among EU countries. More details are available in [the original document](#).

**Ministry of Finance Jerzy Kwieciński** said that resignation from the plan to remove the limit for the social contributions will result in finding another budget income sources or cutting of expenditures. Kwieciński suggested that making the stabilising expenditure rule more „flexible” also remains a possibility.

**EURUSD** recorded the biggest daily drop since late September thanks to the above-consensus US data and hopes for US-China trade truce. As a result, at the end of the day the exchange rate was slightly below the local peak of 1.107. Today the market attention could switch to Europe where the final services PMIs will be released. Manufacturing indexes surprised to the upside and could it be the case today, the euro could neutralise part of the yesterday's losses.

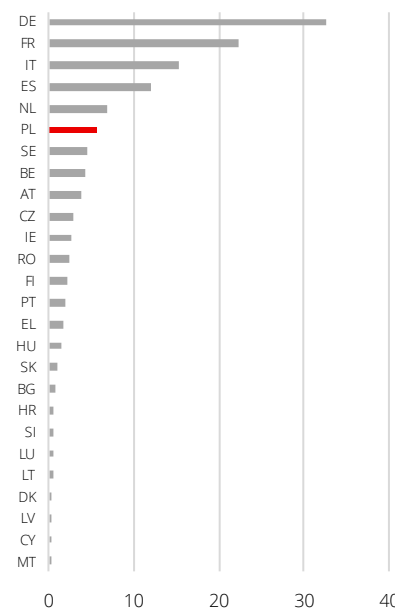
**EURPLN** stabilised after the Monday's evening rise to 4.27 and was hovering around 4.265. USDPLN rose noticeably – above 3.85 from 3.83 – amid stronger dollar. Monday's rise of EURPLN was the biggest one-day upside move since mid-September when the zloty was under pressure ahead of the ECJ verdict. We sustain our view that in the short-term the Polish currency shall not resume the appreciation trend.

**In case of the other CEE currencies**, the forint lost sharply vs the euro (EURHUF jumped to 331 from 329). The koruna and ruble also lost but much less than the Hungarian currency.

**On the domestic interest rate market** IRS and bond yields on the belly and long end of the curves jumped by 3-5bp amid a significant weakening on the core debt market. The 10Y Bund yield rose 4bp to -0.31% and the respective UST by 8bp to 1.86%. The Bund yield broke the local peak from October and reached its highest since July.

Today **the MPC** will announce its decision about interest rates. We and the market do not expect any change. The Council will analyse the updated NBP economic projection. Governor Adam Glapiński already signalled the new projection will be a tad higher for CPI (but not exceeding 3.5% i.e. the upper end of tolerance band) and a tad lower for GDP, and in his view should be no reason for rate changes in any of the directions. We guess that – by analogy to what was the case in November 2018 – the projection will assume that retail energy tariffs will not be frozen in 2020. So, the risks for the projection will be probably asymmetric to the downside. We think it is possible that ultradovish Eryk Łon will file a motion to cut interest rates again, for the third time in a row. But at the same time we do not rule out that the hawkish camp will propose a small policy tightening at November's meeting. Some MPC members (Gatnar, Hardt) suggested earlier they may back a rate hike by 15bp. Still, neither cuts nor hikes are likely to get majority support, so interest rates are expected to remain unchanged. The NBP governor is likely to reiterate his view that monetary policy parameters can stay unchanged until the end of the MPC term in early 2022.

### Average contribution to EU budget in 2021-27, EURbn in 2018 prices



Source: European Commission, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
**Piotr Bielski** +48 22 534 18 87  
**Marcin Łuziński** +48 22 534 18 85  
**Wojciech Mazurkiewicz** +48 22 534 18 86  
**Grzegorz Ogonek** +48 22 534 19 23  
**Marcin Sulewski, CFA** +48 22 534 18 84

## FX market

### Today's opening

EURPLN	4.2672	CZKPLN	0.1673
USDPLN	3.8525	HUFPLN*	1.2882
EURUSD	1.1076	RUBPLN	0.0606
CHFPLN	3.8800	NOKPLN	0.4193
GBPPLN	4.9603	DKKPLN	0.5711
USDCNY	7.0027	SEKPLN	0.3990

\*for 100HUF

### Last session in the FX market 05/11/2019

	min	max	open	close	fixing
EURPLN	4.261	4.272	4.267	4.265	4.2631
USDPLN	3.828	3.856	3.830	3.854	3.8308
EURUSD	1.106	1.114	1.114	1.107	-

## Interest rate market 05/11/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.38	-1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.75	3	21 mar 19	PS0424	2.209
DS1029 (10L)	2.01	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	1.76	2	-0.35	1
2L	1.75	1	1.67	3	-0.35	1
3L	1.75	2	1.64	4	-0.33	1
4L	1.76	3	1.63	5	-0.29	1
5L	1.79	4	1.64	6	-0.24	1
8L	1.83	4	1.72	7	-0.06	2
10L	1.86	4	1.78	7	0.07	3

### WIBOR rates

Term	%	Change (bps)
O/N	1.60	1
T/N	1.60	-1
SW	1.59	0
2W	1.60	0
1M	1.63	0
3M	1.71	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	1.70	0
6x9	1.67	0
9x12	1.64	1
3x9	1.78	0
6x12	1.75	0

### Measures of fiscal risk

Measures of riskiness				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.32	0
France	19	0	0.30	-4
Hungary			2.26	-2
Spain	35	1	0.64	-2
Italy	116	-2	1.34	-4
Portugal	35	0	0.56	-3
Ireland	28	-1	0.38	-2
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

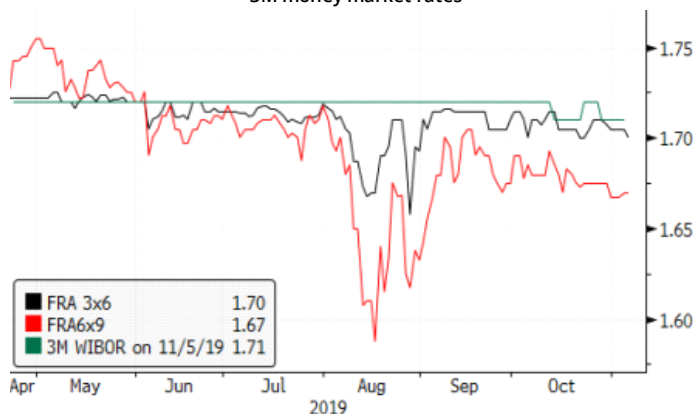
### Zloty exchange rate



### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
THURSDAY (31 October)								
08:00	DE	Retail Sales	Sep	% m/m	0.2	-	0.1	-0.1
10:00	PL	CPI	Oct	% y/y	2.5	2.5	2.5	2.6
11:00	EZ	Flash HICP	Oct	% y/y	0.7	-	0.7	0.8
11:00	EZ	GDP SA	3Q	% y/y	1.1	-	1.1	1.2
11:00	EZ	Unemployment Rate	Sep	%	7.4	-	7.5	7.5
13:30	US	Initial Jobless Claims	week	k	215	-	218	213
13:30	US	Personal Spending	Sep	% m/m	0.3	-	0.2	0.2
13:30	US	Personal Income	Sep	% m/m	0.3	-	0.3	0.5
13:30	US	PCE Deflator SA	Sep	% m/m	0.0	-	0.0	0.0
FRIDAY (1 November)								
13:30	US	Change in Nonfarm Payrolls	Oct	k	85	-	128	180
13:30	US	Unemployment Rate	Oct	%	3.6	-	3.6	3.5
15:00	US	ISM manufacturing	Oct	pts	49.0	-	48.3	47.8
MONDAY (4 November)								
09:00	PL	Poland Manufacturing PMI	Oct	pts	48.1	48.1	45.6	47.8
09:55	DE	Germany Manufacturing PMI	Oct	pts	41.9	-	42.1	41.7
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	45.7	-	45.9	45.7
16:00	US	Durable Goods Orders	Sep	% m/m	-	-	-1.2	-1.1
16:00	US	Factory Orders	Sep	% m/m	-0.5	-	-0.6	-0.1
TUESDAY (5 November)								
02:45	CN	Caixin China PMI Services	Oct	pts	51.5	-	51.1	51.3
16:00	US	ISM services	Oct	pts	53.5	-	54.7	52.6
WEDNESDAY (6 November)								
	PL	MPC decision		%	1.50	1.50		1.50
08:00	DE	Factory Orders	Sep	% m/m	0.1	-	1.3	-0.4
09:00	CZ	Industrial Production	Sep	% y/y	4.5	-		-3.8
09:55	DE	Markit Germany Services PMI	Oct	pts	51.2	-		51.2
10:00	EZ	Eurozone Services PMI	Oct	pts	51.8	-		51.8
11:00	EZ	Retail Sales	Sep	% m/m	0.0	-		0.3
THURSDAY (7 November)								
08:00	DE	Industrial Production SA	Sep	% m/m	-	-		0.3
13:00	CZ	Central Bank Rate Decision		%	2.0	-		2.0
FRIDAY (8 November)								
08:00	DE	Exports SA	Sep	% m/m	-	-		-1.5
09:00	HU	Industrial Production SA	Sep	% y/y	-	-		2.7
09:00	HU	CPI	Oct	% y/y	0.0	-		2.8
16:00	US	Michigan index	Nov	pts	-	-		95.5

Source: Santander Bank Polska, Bloomberg, Parkiet

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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.