

12 November 2019

Eyeopener

Trade deal still in spotlight

Trade deal still crucial for the market
Zloty slightly weaker, bonds under pressure
EURUSD fairly stable
Today German ZEW index and US president speech

Friday finished a week during which market sentiment was mostly positive and the S&P index gained for most of the day. Stock indices in the eurozone behaved less well – e.g. German DAX and Polish WIG lost around 0.3%. On Friday, the zloty remained stable however started to weaken on Monday. Polish debt was trading poorly both on the absolute terms and relative to the German curve. Gold lost 0.8% to \$1460/oz while oil (Brent) lost 1.5% to \$61/bbl. German trade surplus equalled EUR25.5bn and was higher than expected. In the US, the University of Michigan consumer sentiment index slightly improved in November. There were no significant data in Poland.

The market sentiment cooled somewhat at the start of the current week which was caused by president Trump's comments regarding the progress on US-China trade talks as well as more protests in Hong Kong. On Friday, Donald Trump said that US did not agree to fully rolling back tariffs which were previously put on China, and said that China asked for at least partial tariff rollback. Last week, many of the stock indices globally reached a new record/multi-month highs, hence a slight correction, especially given lack of new positive data, should not be surprising.

General election in Spain took place on Sunday. Left-wing PSOE won 120 seats in the lower house of Cortes Generales out of 176 necessary to for a majority. Even adding 35 seats of potential coalition partner, Unidas Podemos, is not enough to secure a stable government. Conservatist Partido Popular won 88 seats. Note that far right wing Vox took 52 seats, while polls at the start of the year were suggesting they may not enter the parliament. The election results suggest to stable majority and elevated political uncertainty in Spain in the upcoming time.

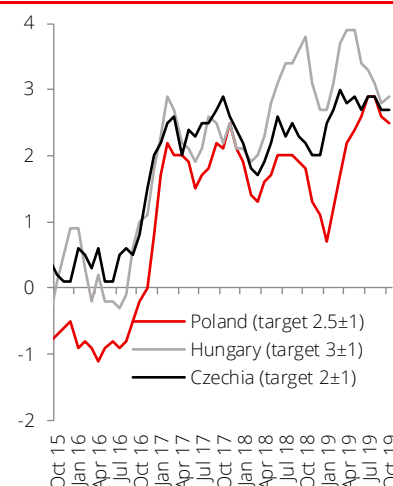
EURUSD fell by 0.25% on Friday to 1.102 after positive US data. Trump's information about tariffs did not affect the exchange rate. Today the market opened at 1.103 after a temporary move to 1.105 on Monday. Data from Germany and tone of the Donald Trump speech could potentially affect the exchange rate.

EURPLN stayed around 4.26 (on Friday as well as since the start of the month). Because of another day of the rising dollar index (by 0.2% to 98.3), which gained 1% in total in the course of the last week, USDPLN once again was pushed higher, by 0.2% to 3.863. GBPPLN closed at 4.95, CHFPLN at 3.88. On Tuesday morning, EURPLN opens around 4.273 after some depreciation of the zloty on low liquidity during the Monday national holiday. We think that given the rapid rise of bond yields on core markets, EURPLN may be going up towards 4.30 in the short run.

In the case of other CEE currencies, the forint weakened vs the euro by 0.5% amid October inflation going to 2.9% y/y, higher than expected and despite industrial output growing 9% y/y in September, up from 2.7% and with expectations at 5.4%. One can say that the forint performed relatively poorly. The Czech koruna strengthened vs the euro by 0.3% after the release that the unemployment rate stayed at 2.6% in October. USDRUB rose by 0.6%, with 0.2pp coming from a stronger dollar and 0.4pp from weaker RUB basket. The move was no surprise given the decline of oil prices.

On the domestic interest rate market, yields were going up for another day, following and even outpacing core market bonds. On the core markets yields continued to rise, but by a much smaller amount than in the previous days (by 1-2bp, 10Y Treasuries went to 1.93% and German 10Y Bunds to -0.25%). The remarks by Donald Trump pushed core yields lower near the end of the day. The yield of Polish 10Y bond rose by 4bp to 2.18% and 10Y IRS by 3bp to 1.97%, and the moves were similar across the region. 10Y asset swap widened by 1bp to 21bp and 10Y Bunds spread increased by 4bp to 243bp.

Inflation in CEE region



Source: Bloomberg

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FX market

Today's opening

EURPLN	4.2741	CZKPLN	0.1676
USDPLN	3.8728	HUFPLN*	1.2794
EURUSD	1.1036	RUBPLN	0.0607
CHFPLN	3.8934	NOKPLN	0.4245
GBPPLN	4.9810	DKKPLN	0.5720
USDCNY	6.9971	SEKPLN	0.3995

*for 100HUF

Last session in the FX market 11/11/2019

	min	max	open	close	fixing
EURPLN	4.262	4.277	4.267	4.274	4.2638
USDPLN	3.865	3.878	3.869	3.872	3.8625
EURUSD	1.102	1.104	1.102	1.104	-

Interest rate market 11/11/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.41	0	21 mar 19	OK0521	1.633
PS1024 (5L)	1.84	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.17	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	1.71	0	1.79	-1	-0.33	1
2L	1.78	0	1.72	1	-0.33	0
3L	1.79	0	1.71	0	-0.29	0
4L	1.82	0	1.71	0	-0.24	-1
5L	1.87	0	1.72	0	-0.18	-1
8L	1.95	0	1.80	1	0.01	-2
10L	1.96	0	1.85	0	0.14	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.60	1
T/N	1.61	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	1.66	0
3x9	1.78	0
6x12	1.77	0

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.41	2
France	18	1	0.30	1
Hungary			2.31	-5
Spain	35	0	0.67	3
Italy	116	1	1.51	5
Portugal	34	1	0.60	1
Ireland	27	-2	0.39	1
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

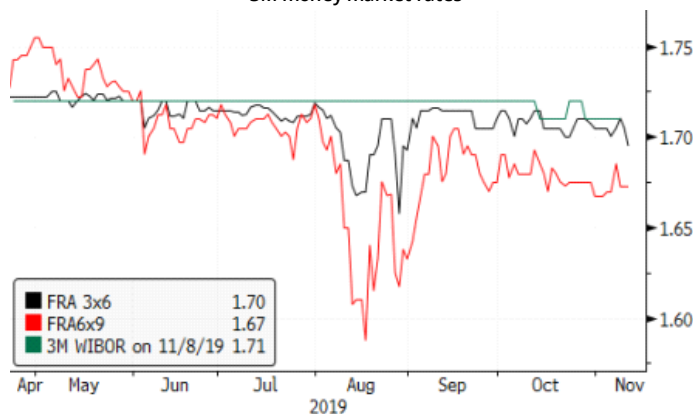
Zloty exchange rate



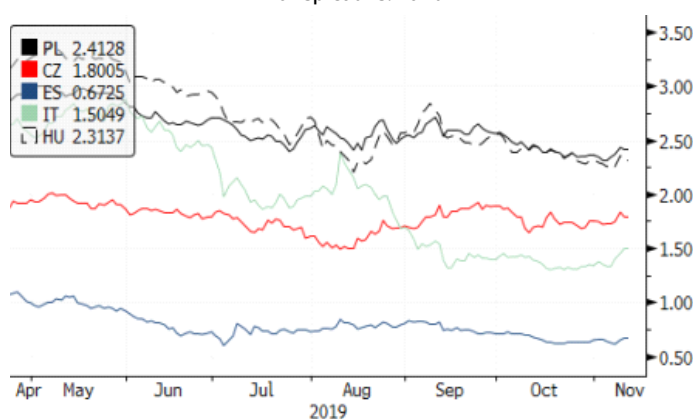
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (8 November)								
08:00	DE	Exports SA	Sep	% m/m	0.3	-	1.5	-1.8
09:00	HU	Industrial Production SA	Sep	% y/y	5.4	-	9.0	2.7
09:00	HU	CPI	Oct	% y/y	2.8	-	2.9	2.8
16:00	US	Michigan index	Nov	pts	95.5	-	95.7	95.5
MONDAY (11 November)								
09:00	CZ	CPI	Oct	% y/y	2.7	-	2.7	2.7
TUESDAY (12 November)								
11:00	DE	ZEW Survey Current Situation	Nov	pts	-25.0		-	-25.3
WEDNESDAY (13 November)								
08:00	DE	HICP	Oct	% m/m	0.1	-		0.1
11:00	EZ	Industrial Production SA	Sep	% m/m	-0.3	-		0.4
14:00	PL	Current Account Balance	Sep	€mn	-219	-1 224		-606
14:00	PL	Trade Balance	Sep	€mn	7.5	-366		-55
14:00	PL	Exports	Sep	€mn	19 291	19 049		17 646
14:00	PL	Imports	Sep	€mn	19 265	19 415		17 701
14:30	US	CPI	Oct	% m/m	0.3	-		0.0
THURSDAY (14 November)								
08:00	DE	GDP WDA	3Q	% y/y	0.4	-		0.4
09:00	CZ	GDP SA	3Q	% y/y	2.6	-		2.8
09:00	HU	GDP	3Q	% y/y	4.2	-		4.9
10:00	PL	CPI	Oct	% y/y	2.5	2.5		2.5
10:00	PL	GDP	3Q	% y/y	4.1	4.1		4.5
11:00	EZ	GDP SA	3Q	% y/y	1.1	-		1.1
14:30	US	Initial Jobless Claims	week	k	215	-		211
FRIDAY (15 November)								
11:00	EZ	HICP	Oct	% y/y	0.7	-		0.7
14:00	PL	CPI Core	Oct	% y/y	2.45	2.4		2.4
14:30	US	Retail Sales Advance	Oct	% m/m	0.15	-		-0.3
15:15	US	Industrial Production	Oct	% m/m	-0.3	-		-0.39

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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