

19 November 2019

Eyeopener

PM's opening speech today

Market sentiment worsened after signals from China

Zloty keeps losing, EURUSD stable

Polish bonds slightly stronger

Today PM's opening speech, Hungarian central bank decision, US housing data

The Monday session brought an increase of volatility on stock exchanges and bond markets. At first the sentiment was slightly positive, which supported equities in Europe and generated upward pressure on yields. In the second part of the day the situation changed with signals from China that the government is sceptical about a quick approval of the phase one deal with the USA. According to CNBC, the Chinese wanted a decrease of the current tariffs but Donald Trump did not agree. As a result, at the end of the day bonds were stronger than on Friday close while stock exchanges were slightly in red. The pound strengthened after polls showed that the ruling Conservative Party maintained the lead ahead of the elections in mid-December. In the case of other EM currencies, most of them saw losses, while the zloty was one of the worst performers.

MPC's Jerzy Osiatyński told Bloomberg that rate hikes in Poland are very unlikely, even with inflation staying above the NBP target. In his view Poland, as many other countries, is to remain for a long time with negative real interest rates, which will be negatively affecting investments and the pension system. He also said that even though the actual economic growth in 2020-21 could outpace NBP forecasts (3.6% and 3.3%), investment is likely to weaken given slower inflow of EU funds and complicated situation of local government given lower state subsidies. Jerzy Osiatyński's term in the MPC ends on 20 December 2019. His successor will be chosen by president Andrzej Duda.

The RMF FM radio informed that energy companies filed in their tariffs to the Energy Regulatory Office and these documents assume **double-digit hikes of electricity prices** (up to 40%). The minister of state assets Jacek Sasin, who said just yesterday in the morning there will be no hikes for households, stated in the afternoon that the government will try to mitigate the impact of higher prices. On different front, the infrastructure minister decided to **hike fuel surcharge** in January 2020 by 4% for petrol, 3.6% for LPG and 2.9% for diesel. These rises are likely to increase average fuel price by 0.1-0.2%, i.e. are insignificant for inflation forecasts.

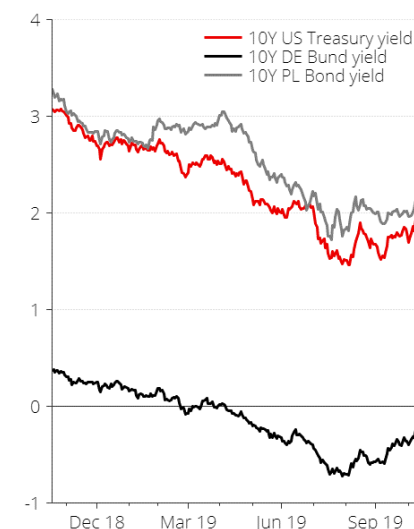
EURUSD has not changed by much yesterday and remained in a narrow range around 1.106. We think that today the low volatility environment may continue because the day is light on the data front – only monthly housing starts and building permits in the US. The volatility is likely to increase from Wednesday on when the FOMC minutes will be published, while on Friday October PMIs in Europe will be published.

EURPLN rose yesterday to 4.29 from 4.27 – the biggest one-day gain since the second half of September. USDPLN rose to 3.88 from 3.865. The reasons for the weakening were both worsening global sentiment and regional news – as forint lost after Central Bank of Hungary's comments. EURPLN trades slowly towards 4.30 which is exactly the middle of the range within which the EURPLN has been trading in August 2018 – August 2019 period and we think this is the first level where some stabilization or a correction might take place.

In case of the **other CEE currencies**, the koruna and ruble did not move much while EURHUF rose noticeably. Since the beginning of November, the forint is the third weakest EM currency and gave up already more than it gained in October – EURHUF rose above 335, its highest since nearly October.

On **Polish fixed income market** both bond and swaps curves moved lower yesterday as a result of the change in global sentiment. The range of the move did not exceed 2pb. Core markets yields increased in the beginning of the day but after not-so-positive news regarding trade negotiations, yields decreased by an even bigger amount. Bund yield stayed above the last week's minimum of -0.35%.

10Y bond yields, %



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

EURPLN	4.2958	CZKPLN	0.1680
USDPLN	3.8789	HUFPLN*	1.2801
EURUSD	1.1075	RUBPLN	0.0608
CHFPLN	3.9193	NOKPLN	0.4251
GBPPLN	5.0265	DKKPLN	0.5749
USDCNY	7.0246	SEKPLN	0.4024

*for 100HUF

Last session in the FX market 18/11/2019

	min	max	open	close	fixing
EURPLN	4.271	4.294	4.274	4.294	4.2884
USDPLN	3.863	3.883	3.868	3.875	3.8767
EURUSD	1.105	1.109	1.105	1.108	-

Interest rate market 18/11/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.38	0	21 mar 19	OK0521	1.633
PS1024 (5L)	1.81	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.09	-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	1.72	-2	-0.34	0
2L	1.75	0	1.60	-3	-0.33	1
3L	1.74	-1	1.57	-3	-0.31	0
4L	1.77	-1	1.57	-3	-0.27	1
5L	1.79	-2	1.58	-3	-0.22	0
8L	1.84	-1	1.65	-3	-0.04	0
10L	1.86	-2	1.71	-3	0.08	0

WIBOR rates

Term	%	Change (bps)
O/N	1.60	0
T/N	1.61	0
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	1.68	0
9x12	1.65	0
3x9	1.78	0
6x12	1.76	0

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.42	-1
France	19	1	0.31	0
Hungary			2.38	0
Spain	39	-2	0.74	-1
Italy	131	-1	1.52	-2
Portugal	38	-2	0.68	0
Ireland	27	-1	0.40	0
Germany	9	1	-	-

* 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



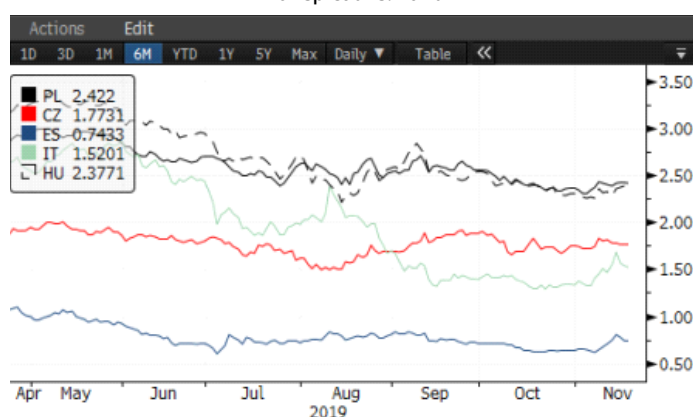
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (15 November)								
11:00	EZ	HICP	Oct	% y/y	0.7	-	0.7	0.8
14:00	PL	CPI Core	Oct	% y/y	2.4	2.5	2.4	2.4
14:30	US	Retail Sales Advance	Oct	% m/m	0.2	-	0.3	-0.3
15:15	US	Industrial Production	Oct	% m/m	-0.4	-	-0.8	-0.3
MONDAY (18 November)								
No important data releases								
TUESDAY (19 November)								
14:00	HU	Central Bank Rate Decision	Nov.19	%	0.9	-		0.9
14:30	US	Housing Starts	Oct	% m/m	5.1	-		-9.4
WEDNESDAY (20 November)								
20:00	US	FOMC Meeting Minutes						
THURSDAY (21 November)								
10:00	PL	Employment in corporate sector	Oct	% y/y	2.6	2.6		2.6
10:00	PL	Average Gross Wages	Oct	% y/y	6.3	6.0		6.6
14:30	US	Initial Jobless Claims	week	k	215	-		225
14:30	US	Index Philly Fed	Nov	pts	6.5	-		5.6
16:00	US	Existing Home Sales	Oct	% m/m	2.1	-		-2.1
FRIDAY (22 November)								
08:00	DE	GDP WDA	3Q	% y/y	0.45	-		0.5
09:30	DE	Flash Germany Manufacturing PMI	Nov	pts	42.6	-		42.1
09:30	DE	Flash Markit Germany Services PMI	Nov	pts	51.8	-		51.6
10:00	EZ	Flash Eurozone Manufacturing PMI	Nov	pts	46.3	-		45.9
10:00	EZ	Flash Eurozone Services PMI	Nov	pts	52.4	-		52.2
10:00	PL	Sold Industrial Output	Oct	% y/y	2.3	2.0		5.6
10:00	PL	Construction Output	Oct	% y/y	5.6	8.7		7.6
10:00	PL	PPI	Oct	% y/y	0.6	0.1		0.9
16:00	US	Michigan index	Nov	pts	95.6	-		95.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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