

20 November 2019

Eyeopener

Limit on social contribution to stay

Calm session in expectation for important events
Government gets the confidence vote, 30x ZUS threshold withdrawn
EURPLN stabilising, EURUSD unchanged again
Stable bonds in Poland and abroad
FOMC minutes today in the evening

On Tuesday the trading was rather calm amid slightly positive market mood. Equity indexes in Europe rose or remained stable while the core bond yields fell marginally. The main exchange rates were stable amid lack of new information regarding the trade talks and mixed us data. In October, the number of house starts was slightly below expectations while the building permits surprised well to the upside. China cut its main interest rate by 5bp yesterday continuing gradual monetary policy easing. The decision did not affect the markets.

Yesterday in the evening, **the government received a vote of confidence** from the lower house of the Polish parliament (Sejm). PM Mateusz Morawiecki said that the government's objective is to keep the pace of the Polish GDP growth 2-3pp above the growth rate in the euro zone. This is planned to be achieved by large infrastructure projects (among others, tens of billions for the central airport, roads, modernizations of schools). Under the current forecasts, this would mean that Polish GDP would have to grow by around 3-4.3% in the coming years. Prime minister confirmed that 13th and 14th pension would be paid, declared continuation of companies "repolonization" and intervention of state on the market where it will be considered unfair in terms of competition. The government aims to take further steps towards more effective tax collection which will be accompanied by the introduction of delay in CIT settlement and investment allowance for the small companies. The review of the state institutions, cuts in bureaucracy and higher excise tax on alcohol shall bring savings. There were no declarations as regards the freeze of the energy prices. PM Morawiecki called for a change in the Constitution in order to fully guarantee the private character of private cash collected in employee capital plans (PPK) and individual pension accounts (IKE).

In the evening the PiS **draft bill on abolition of limit on social contributions** was pulled away, which may make it a bit more difficult to balance the 2020 budget. The government's spokesman said that this idea was so far postponed and will return after broader consultations. In our view, the chance to push this proposal forward in the nearest months is quite low, given a possible veto of the President.

EURUSD was hovering yesterday around 1.107 and volatility was markedly lower than on day before. In our view, the low volatility period is likely to end today in the evening, when FOMC minutes from the last meeting are due for release. Additionally, on Friday we will get to see flash PMI for manufacturing and services for the euro zone in November. These numbers have a potential to affect the trade.

Yesterday **EURPLN** stabilised around 4.28 after a major rise on Monday, while USDPLN remained below 3.88. In our view, the zloty could weaken versus the euro in the short term.

As to the **other CEE currencies**, yesterday it was forint which fared the best and regained all the Monday's losses and even more. Central Bank of Hungary remained rates unchanged, including the main one at 0.90%. The bank sees its monetary policy as expansionary, and acknowledged that inflation pressures eased thanks to slower growth abroad. In Czech Republic, mr Vojtech Benda from CNB thinks that Czech rates should be increased. Currently the main rate equals 2.00%. CNB has kept rates unchanged both in November and in October.

On **Polish fixed income market** IRS and bond yields remained stable for another day, thanks to low realized volatility on the core markets. We think that this situation is temporary and that forthcoming events – today's FOMC minutes and Friday's data from Eurozone – will contribute to higher volatility. Currently, the 10Y Bund and 10Y US Treasuries yields are in interesting areas, looking from the technical analysis perspective – soon, markets might decide about a new trend direction for the coming days or even weeks.

Brent oil price, USD/barrel



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2915	CZKPLN	0.1679
USDPLN	3.8773	HUFPLN*	1.2895
EURUSD	1.1068	RUBPLN	0.0607
CHFPLN	3.9136	NOKPLN	0.4232
GBPPLN	5.0073	DKKPLN	0.5743
USDCNY	7.0297	SEKPLN	0.4013

*for 100HUF

Last session in the FX market 19/11/2019

	min	max	open	close	fixing
EURPLN	4.285	4.297	4.294	4.286	4.2928
USDPLN	3.867	3.881	3.875	3.868	3.8786
EURUSD	1.106	1.108	1.108	1.108	-

Interest rate market 19/11/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.40	2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.81	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.09	0	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	1.71	-1	-0.34	0
2L	1.74	-1	1.59	-1	-0.34	0
3L	1.73	-1	1.56	-1	-0.31	0
4L	1.75	-2	1.55	-2	-0.27	0
5L	1.77	-2	1.56	-2	-0.22	0
8L	1.82	-3	1.62	-2	-0.05	0
10L	1.84	-2	1.68	-3	0.08	0

WIBOR rates

Term	%	Change (bps)
O/N	1.56	-4
T/N	1.58	-3
SW	1.58	-1
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			2.43	0
France	19	1	0.29	-2
Hungary			2.34	-4
Spain	39	-1	0.75	-1
Italy	131	2	1.57	-1
Portugal	38	-1	0.69	-1
Ireland	27	-1	0.40	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

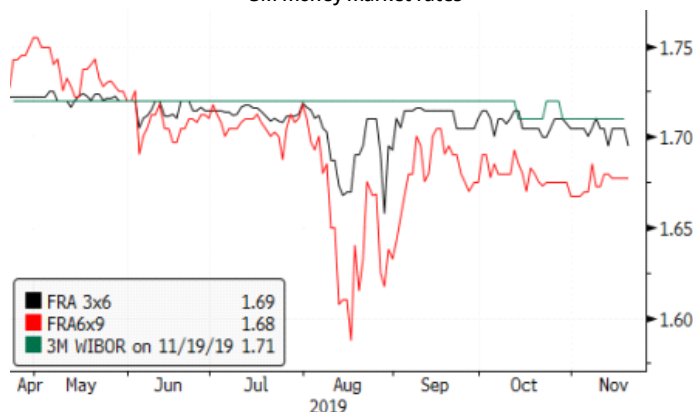
Zloty exchange rate



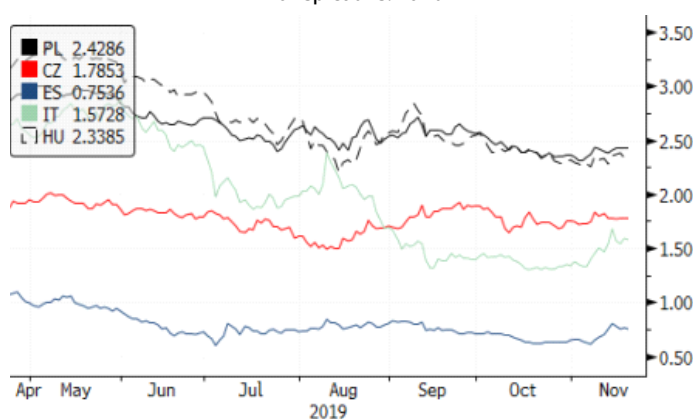
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					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	0.9
14:30	US	Housing Starts	Oct	% m/m	5.1	-	3.8	-7.9
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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