

21 November 2019

Eyeopener

Decreasing market optimism

Another session of slightly negative market sentiment
 FOMC minutes did not surprise
 EURPLN keeps depreciating slightly
 Bond yields lower in Poland and abroad
 Today, data about wages and employment, US data releases

On Wednesday markets traded in a slight risk-off mood after the US Senate passed the bill supporting the Hong Kong protesters, which may lower chances for a positive outcome of US negotiations with China. The return of global risk aversion was supported not only by prolonged trade negotiations, but also by a less positive picture drawn by the US economic data (US surprises index again jumped into the negative territory). Stock indices fell by 0.5% on average, the dollar index climbed a bit, core yields fell and EM currencies weakened, many were at multi-month lows with risk of further weakening (e.g. the Chilean and Colombian peso, the Brazilian Real, the Hungarian forint and the Romanian leu). Gold and oil prices went up.

Minutes from the last FOMC meeting showed that the central banks considers political risks (e.g. pertinent to trade tensions) to be lower than earlier but to still remain elevated. The risk of economic slowdown was the main reason to cut rates in October. The Fed assessed that after this move the interest rates suit the economic situation and a further major slowdown is necessary to adjust rates more.

MPC's Jerzy Żyżyński told PAP that interest rates in Poland may remain unchanged until 2022, but in case of a larger slowdown than in the NBP projection there may be a need for at least 50bp of cuts. Żyżyński is considered one of the most dovish members and yet he admitted that if the NBP projection materialises, stable rates will be the best option (in our view this is still the most likely scenario). And yet, such remarks from the MPC member may renew the market speculation for rate cuts in Poland, especially in case of more negative surprises from the economic data.

PM Mateusz Morawiecki informed that he does not assume an increase of the 2020 budget deficit due to the withdrawal of bill removing the social security contributions' limit. He said that the budget balance will be maintained thanks to additional saving programs, like reducing bureaucracy among others.

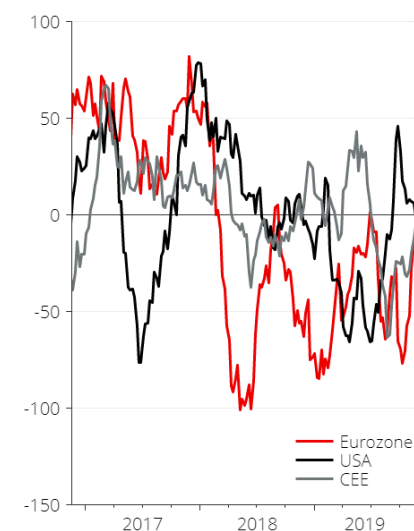
EURUSD eased to 1.105 from 1.108 only to rebound back to 1.108 during the US trading hours. FX options price rising probability of an upside move of EURUSD.

EURPLN was rising mildly and closed just PLN0.4 below the next important resistance at 4.30. USDPLN closed at 3.88, CHFPLN at 3.91 and GBPPLN at 5.02. In case of the other CEE currencies, only the koruna gained (EURCZK closed at 25.5). The forint remained stable while the ruble lost despite the oil price rising by nearly 2%. One should remember that part of the LatAm currencies, the forint and leu are trading near their multi-year low levels and there is risk that if these levels are broken, these currencies might fall further weighing on the zloty.

On the Polish fixed income market both bond and swap curves' yields decreased almost parallelly by 3-4bp. 10Y bond closed at 2.06% while 10Y IRS at 1.80% (asset swap at 26bp). As is often the case the Polish curve dynamics closely followed the one on the core markets but this time more the US curve (10Y down to 1.75% by 4bp) than the German curve (down to -0.36% by 2bp). As a result Polish debt traded stronger relative to German one and the 10Y spread narrowed to 242bp from 244bp.

Today in Poland we will see wages and employment data, in the US the weekly initial jobless claims, Philly Fed index and existing home sales will be released.

CEI economic surprise indicators



Source: Refinitiv Datastream, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: 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	4.2952	CZKPLN	0.1683
USDPLN	3.8791	HUFPLN*	1.2880
EURUSD	1.1073	RUBPLN	0.0607
CHFPLN	3.9134	NOKPLN	0.4240
GBPPLN	5.0135	DKKPLN	0.5748
USDCNY	7.0379	SEKPLN	0.4021

*for 100HUF

Last session in the FX market 20/11/2019

	min	max	open	close	fixing
EURPLN	4.284	4.297	4.286	4.296	4.2917
USDPLN	3.866	3.886	3.868	3.882	3.8792
EURUSD	1.105	1.108	1.108	1.107	-

Interest rate market 20/11/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.38	-2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.80	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.05	-4	21 mar 19	DS1029	2.877

IRS on the interbank market**

Risks on the Interest Rate Market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.70	0	1.70	-1	-0.35	-1
2L	1.73	-1	1.57	-2	-0.34	-1
3L	1.71	-2	1.53	-3	-0.32	-1
4L	1.72	-3	1.52	-3	-0.27	0
5L	1.73	-4	1.52	-4	-0.22	0
8L	1.78	-4	1.59	-4	-0.05	0
10L	1.80	-4	1.64	-4	0.08	0

WIBOR rates

Term	%	Change (bps)
O/N	1.56	0
T/N	1.58	0
SW	1.58	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	1.69	1
9x12	1.65	0
3x9	1.79	1
6x12	1.77	0

Measures of fiscal risk

Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.41 -3
France	19 -1	0.31 0
Hungary		2.28 0
Spain	38 1	0.77 0
Italy	133 -2	1.55 0
Portugal	37 0	0.73 0
Ireland	26 0	0.42 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

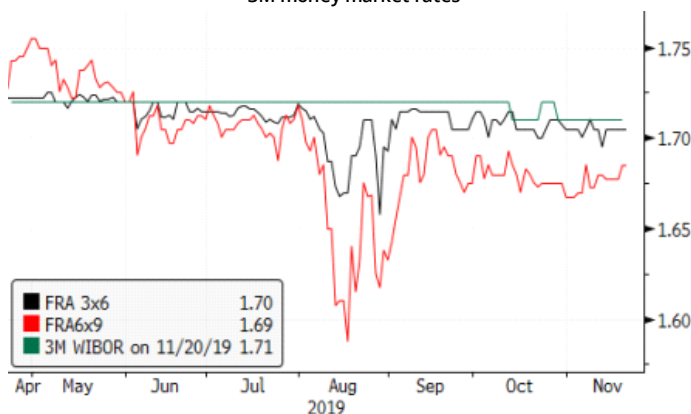
Zloty exchange rate



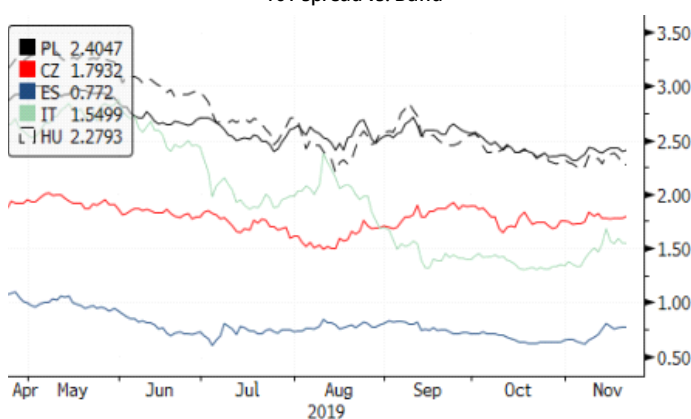
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					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	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

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>.