3 December 2019

Eyeopener

More protectionism

Announcement of new tariffs by the USA
A mix of good and bad data at the start of the week
Zloty stronger on Polish and European data and higher EURUSD
Bond yields strongly up in Poland and abroad
Today no important data releases

Global market mood was changing sharply at the beginning of the week. At the start of the session, optimism prevailed fuelled first by the Chinese manufacturing PMI and then by the data from Germany and the whole euro zone. In case of the European data, final PMIs showed higher readings than initially estimated which put an additional pressure on bonds from both core and euro zone peripheral markets. However, the risk appetite soon receded given rising worries about global economic outlook after a series of information on new US tariff duties and due to surprising weakness of ISM in manufacturing. Inflow of information from the USA was clearly reflected in stock markets behaviour, which more than offset their earlier gains. Bonds remained under pressure. The euro gained versus the dollar and so did most EM currencies.

The US president announced bringing back steel tariffs for Argentina and Brazil due to significant weakening of their currencies. US Trade Representative Robert Lighthizer informed about plans to introduce tariffs of up to 100% on French goods worth USD 2.4bn because France taxed big internet companies, most of them American. At the same time there still is no US-China trade deal, without which in 2 weeks' time tariffs will be raised again.

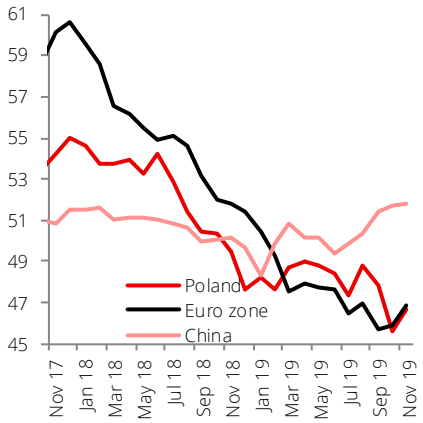
Development Minister Jadwiga Emilewicz told yesterday that there will be **no compensations for energy price increases** for households in 2020. The scale of electricity tariff hikes will be decided by the Energy Regulatory Office (URE) and in her view it will allow for energy costs rise by 5-7%. Such decision would move CPI higher by 0.25-0.35bp. We are still awaiting for final decisions in this matter.

EURUSD failed to stay below 1.10 for good and after a few tests of this level, the pair rebounded above 1.107. The upward move started in the afternoon in reaction to signals from the USA. Today we will not get to see any important data, so the trade is likely to stabilise and the exchange rate is likely to stay in 1.10-1.11 range.

Yesterday **EURPLN** had the biggest 1-day fall since the middle of August, the move resulted from strong data out of Europe and Poland, weaker dollar and positive market sentiment at the beginning of the trading day. At the end of the day EURPLN was close to 4.284. USDPLN fell to 3.87 from 3.91 neutralising two previous weeks of gains. Other CEE currencies also gained but less than the zloty. December, a month which has just started, is traditionally zloty-positive. In the past 20 years, EURPLN rose in the last month only five times, last time in 2014.

On the domestic **interest rate market** the new week started with a noticeable rise of the yields and IRS rate – by 3-5bp, more on the bond curve. The impulse came from abroad where yields jumped after the European data. In case of the 10Y Bunds and Treasuries, yields rose by 7-9bp.

Manufacturing PMIs



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2879	CZKPLN	0.1678
USDPLN	3.8706	HUFPLN*	1.2912
EURUSD	1.1078	RUBPLN	0.0603
CHFPLN	3.9032	NOKPLN	0.4229
GBPPLN	5.0120	DKKPLN	0.5740
USDCNY	7.0406	SEKPLN	0.4062

*for 100HUF

Last session in the FX market 02/12/2019

	min	max	open	close	fixing
EURPLN	4.282	4.320	4.316	4.288	4.3008
USDPLN	3.863	3.920	3.920	3.872	3.9047
EURUSD	1.100	1.109	1.101	1.108	-

Interest rate market 02/12/2019

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)	1.74	2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.04	4	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.70	1	1.74	0	-0.34	0
2L	1.69	1	1.63	1	-0.32	1
3L	1.67	2	1.60	1	-0.29	2
4L	1.67	3	1.60	2	-0.24	3
5L	1.69	3	1.61	3	-0.18	5
8L	1.72	4	1.69	4	0.00	6
10L	1.74	4	1.75	5	0.12	7

WIBOR rates

Term	%	Change (bps)
O/N	1.58	6
T/N	1.60	1
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	1
6x9	1.67	0
9x12	1.64	2
3x9	1.78	1
6x12	1.75	2

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.31	3
France	19	-1	0.30	6
Hungary			2.24	6
Spain	40	0	0.76	0
Italy	136	2	1.63	0
Portugal	38	-1	0.73	-1
Ireland	25	-1	0.35	2
Germany	9	0	-	-

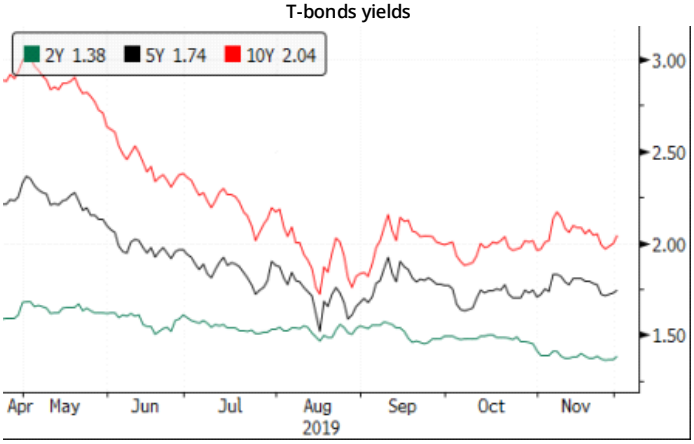
* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

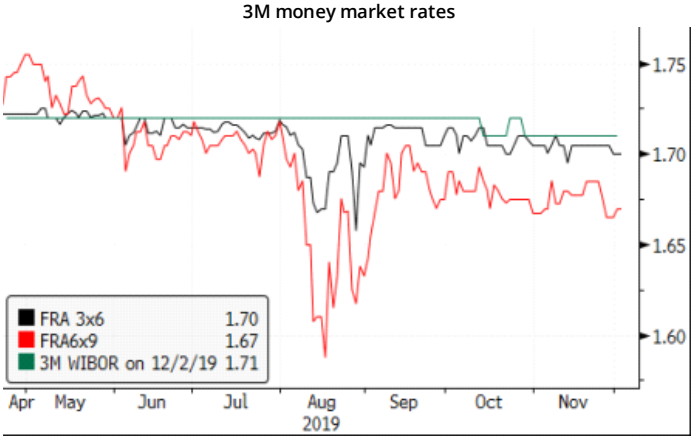
Source: Bloomberg

Zloty exchange rate

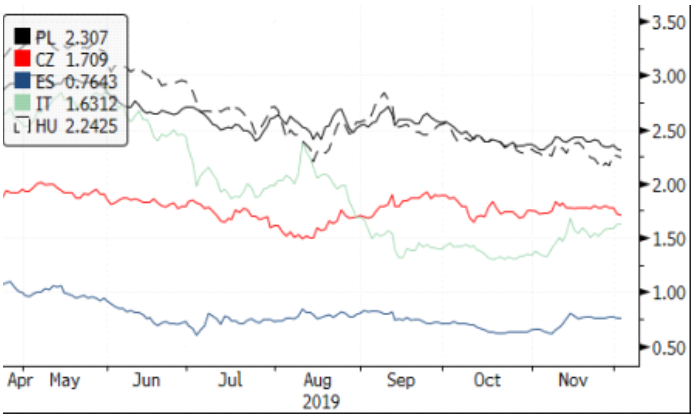
T-bonds yields



3M money market rates



10Y spread vs. Bund



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Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (29 November)					
08:00	DE	Retail Sales	Oct	% m/m	0.2	-	-1.9	0.1
09:00	CZ	GDP SA	3Q	% y/y	2.5	-	2.5	2.5
09:00	HU	GDP	3Q	% y/y	5.0	-	5.0	5.0
10:00	**PL**	**Flash CPI**	**Nov**	**% y/y**	**2.6**	**2.8**	**2.6**	**2.5**
10:00	**PL**	**GDP**	**3Q**	**% y/y**	**3.9**	**3.9**	**3.9**	**3.9**
11:00	EZ	Flash HICP	Nov	% y/y	0.9	-		0.7
11:00	EZ	Unemployment Rate	Oct	%	7.5	-		7.5
			MONDAY (2 December)					
09:00	**PL**	**Poland Manufacturing PMI**	**Nov**	**pts**	**46.2**	**46.9**	**46.7**	**45.6**
09:55	DE	Germany Manufacturing PMI	Nov	pts	43.8	-	44.1	43.8
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	46.6	-	46.9	46.6
16:00	US	ISM manufacturing	Nov	pts	49.5	-	48.1	48.3
			TUESDAY (3 December)					
		No important data releases						
			WEDNESDAY (4 December)					
	PL	**MPC decision**		**%**	**1.50**	**1.50**		**1.50**
02:45	CN	Caixin China PMI Services	Nov	pts	51.2	-		51.1
09:55	DE	Markit Germany Services PMI	Nov	pts	51.3	-		51.3
10:00	EZ	Eurozone Services PMI	Nov	pts	51.5	-		51.5
14:15	US	ADP report	Nov	k	140	-		125
16:00	US	ISM services	Nov	pts	54.5	-		54.7
			THURSDAY (5 December)					
08:00	DE	Factory Orders	Oct	% m/m	0.6	-		1.3
11:00	EZ	GDP SA	3Q	% y/y	1.2	-		1.2
11:00	EZ	Retail Sales	Oct	% m/m	0.0	-		0.1
14:30	US	Initial Jobless Claims	week	k	220	-		213
16:00	US	Durable Goods Orders	Oct	% m/m	-0.9	-		0.6
16:00	US	Factory Orders	Oct	% m/m	0.1	-		-0.6
			FRIDAY (6 December)					
08:00	DE	Industrial Production SA	Oct	% m/m	0.2	-		-0.6
09:00	HU	Industrial Production SA	Oct	% y/y	6.7	-		8.98
14:30	US	Change in Nonfarm Payrolls	Nov	k	190	-		128
14:30	US	Unemployment Rate	Nov	%	3.6	-		3.6
16:00	US	Michigan index	Dec	pts	97.0	-		96.8

Source: Santander Bank Polska. Bloomberg, Parkiet
** in the case of a revision the data is updated*

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