

4 December 2019

# Eyeopener

## Trump thwarts market optimism

US-China trade deal seems less probable  
 EURPLN and EURUSD stable  
 Domestic and core market bonds recover from losses  
 Today Polish MPC decision, services ISM and PMIs, ADP report

The NATO summit, which has started in London, was rich in interesting comments, with Donald Trump having the biggest impact. The US president said there is no deadline for signing the trade deal with China and this could possibly happen after the US presidential election in 2020. Over the last week markets, especially equities, were aggressively pricing-in a positive scenario for the "phase one deal" (US equities hit all-time highs), so the yesterday's Trump comment undermined the stock markets. Lower optimism supported bonds, which more than offset their Monday losses. Today positive surprises delivered by November PMI in Asian services (Chinese index at the highest level in 7 months) were not enough to help the Asian stocks end the day in black.

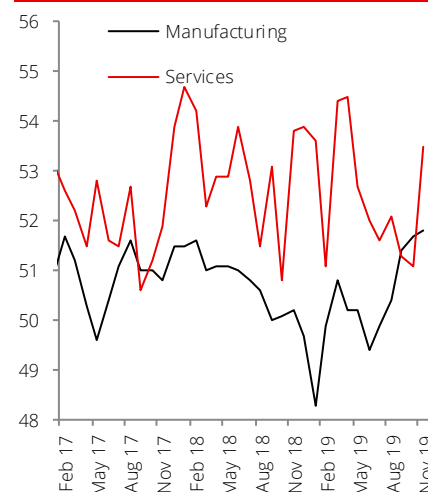
Today **MPC** will make an interest rate decision. The outcome of the meeting should not raise emotions, we expect no change to the policy, the statement will likely turn out to be written in a similar tone to the last one, while the governor Głapiński will be focusing on the signals from the weakening economy. The FRA market is currently pricing in one 25bp cut in the next two years. This sentiment has been reinforced by latest comments from MPC members (Żyżyński, Kropiwnicki) who suggested that if the growth slowdown intensifies the support for rate cuts within MPC might intensify. We think MPC will leave the interest rates unchanged at least till the end of 2021, however before the market acknowledges this fact, more cuts are likely to be priced in in the meantime. December MPC will be the last one for Jerzy Osiatyński. His successor will be chosen by President Andrzej Duda, however at this moment it is not known who might replace him and how this change would change the balance of votes within MPC..

Yesterday **EURUSD** was hovering slightly below the Monday peak at 1.108 and the volatility was lower than on Monday. The pair did not react to Trump comments on the trade deal. In our view, volatility could rise today under impact of data releases. US statistics may prove especially important: ISM in services and ADP report on labour market. The first resistance for EURUSD is at 1.11.

Both **EURPLN** and **USDPLN** remained roughly stable after a meaningful drops and held around Monday's bottom at 4.28 and 3.86, respectively. In case of the other CEE currencies, the koruna gained slightly vs the euro, the forint remained stable and the ruble lost marginally vs the dollar. We think that changes of the global mood would be crucial for the zloty. Currently, we see that in December Polish currency benefits from the waves of optimism and remains resilient to risk aversion.

On Tuesday on the domestic **interest rate market** the 10Y bonds neutralised roughly half of the Mondays' losses and the 5Y debt more than recovered after the sell-off at the beginning of the week. IRS rates fell below the last week's lows. Polish debt benefited from strengthening observed abroad where yields fell more than they rose on Monday. It seems that trends on the Bund and UST market should remain crucial for the Polish debt at least in the short term.

China PMIs



Source: Bloomberg, Santander

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## FX market

### Today's opening

EURPLN	4.2835	CZKPLN	0.1678
USDPLN	3.8676	HUFPLN*	1.2908
EURUSD	1.1075	RUBPLN	0.0602
CHFPLN	3.9205	NOKPLN	0.4202
GBPPLN	5.0234	DKKPLN	0.5733
USDCNY	7.0717	SEKPLN	0.4051

\*for 100HUF

### Last session in the FX market 03/12/2019

	min	max	open	close	fixing
EURPLN	4.280	4.292	4.288	4.282	4.29
USDPLN	3.860	3.877	3.872	3.861	3.8706
EURUSD	1.107	1.109	1.108	1.109	-

## Interest rate market 03/12/2019

### 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)	1.69	-5	21 mar 19	PS0424	2.209
DS1029 (10L)	1.98	-6	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	1.68	-2	1.69	-5	-0.34	0
2L	1.66	-3	1.55	-8	-0.34	-1
3L	1.61	-6	1.50	-10	-0.31	-3
4L	1.61	-6	1.49	-11	-0.27	-4
5L	1.61	-8	1.50	-11	-0.23	-5
8L	1.63	-9	1.56	-12	-0.06	-6
10L	1.66	-9	1.62	-13	0.06	-7

### WIBOR rates

Term	%	Change (bps)
O/N	1.58	0
T/N	1.59	-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	1.69	-1
6x9	1.64	-3
9x12	1.60	-4
3x9	1.78	-1
6x12	1.73	-2

### Measures of fiscal risk

Measures of riskiness				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.35	-4
France	18	-1	0.30	0
Hungary			2.18	-14
Spain	40	1	0.76	1
Italy	138	2	1.63	0
Portugal	38	1	0.71	0
Ireland	24	2	0.35	-8
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

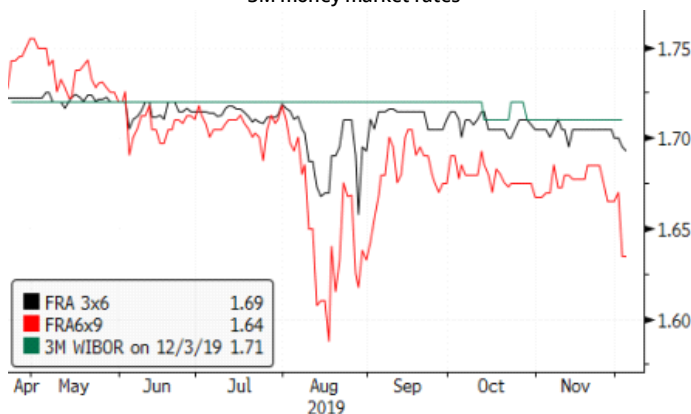
### Zloty exchange rate



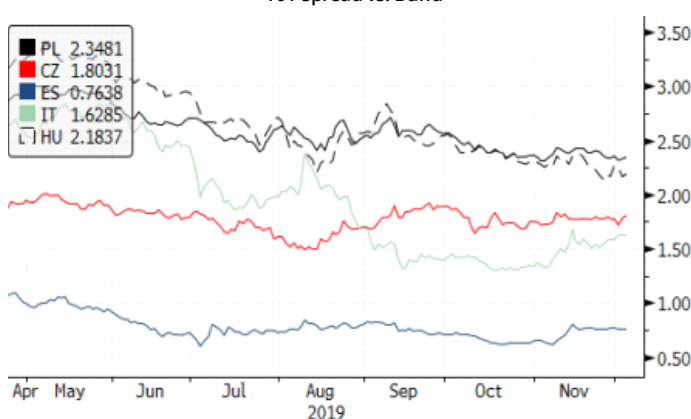
### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

Economic calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
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	-	53.5	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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