

5 December 2019

Eyeopener

Stable view of MPC

US president this time positive on China talks
MPC stance unchanged
Zloty somewhat stronger, EURUSD up
Bonds weaker on positive sentiment
Today euro zone GDP, US industrial orders

Since the start of the week the market sentiment has been changing quickly and Wednesday was not very different. Equity markets were rising and bonds were falling after next comments from US president Trump, who said that negotiations with China are going quite well. A day earlier he suggested that the trade deal could be delayed until late 2020. Moreover, media were quoting anonymous US negotiators who suggested that the first phase of the deal could be signed before the 15 December deadline for introduction of further tariffs on Chinese goods. Services PMI in euro zone and Germany were better than flash estimates. In turn, US non-manufacturing ISM fell and ADP report showed much smaller employment growth in November than anticipated (one of the lowest readings since 2010). The US data releases particularly contributed to the EURUSD rise. Today in the morning the first hard data verifying the latest improvement of business sentiment in Germany did not look very promising: factory orders fell in October by 0.4% m/m instead of growing by 0.4%, which means they remained over 5% lower than last year.

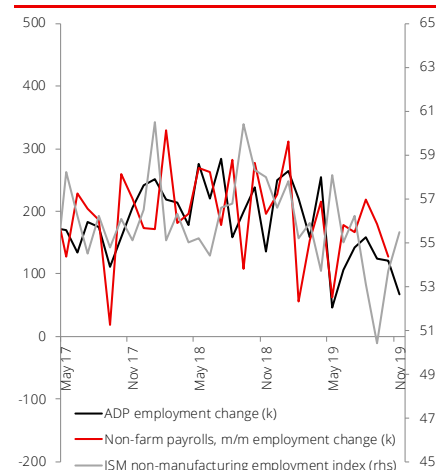
Polish MPC kept interest rates unchanged, as expected. The press conference confirmed that the central bank's attitude remains broadly unchanged and no moves in monetary policy are on the horizon. The MPC expects GDP growth to slow but remain decent and inflation – after short-lived jump in 1Q20 – to return towards the target in the coming quarters. The NBP governor Glapinski rebuffed market speculation for interest rate cuts and reiterated that in his view the most likely scenario is rates stability until the end of term of office (2022). He admitted there is a room for rate cuts if needed, but there are absolutely no reasons to do it. It was the last meeting with MPC member Osiatynski who leaves the office on 20 December. The name of his successor is still unknown, he will be appointed by President Duda. Overall, nothing new at the moment.

EURUSD remained stable slightly below 1.11 for long. However after the yesterday US labour market data it quickly bounced higher. The pair did not manage to hold gains above 1.11 and today on the market opening it trades close to 1.108. Today there are data from Europe and the US but we expect low volatility today as the market awaits tomorrow's non-farm payrolls data.

Both **EURPLN** and **USDPLN** fell yesterday for the fourth session in a row thanks to EURUSD rebound and return of optimism on the market. At the end of the day, EURPLN was only slightly below 4.28 and USDPLN closed marginally below 3.86. The forint gained vs the euro which might have been thanks to the strong rise on the Hungarian stock exchange, the ruble strengthened vs the dollar (owing to c3% rise of the oil price) while the koruna was stable. The zloty neutralised more than half of the losses suffered vs the euro in November and so far is holding the seasonal pattern according to which EURPLN usually falls in December.

On the domestic **interest rate market** IRS and bond yields rose by 1-4bp, only the 2Y bond yield fell. Yesterday, Polish 10Y benchmark lost slightly more than its German peer and less than the US. In late November, Polish 10Y bond yield rebounded from the 1.95% support and broke 2% yesterday.

US labour market data



Source: Bloomberg, 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 Luziński +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	4.2775	CZKPLN	0.1675
USDPLN	3.8592	HUFPLN*	1.2918
EURUSD	1.1084	RUBPLN	0.0605
CHFPLN	3.9039	NOKPLN	0.4216
GBPPLN	5.0684	DKKPLN	0.5725
USDCNY	7.0446	SEKPLN	0.4061

*for 100HUF

Last session in the FX market 04/12/2019

	min	max	open	close	fixing
EURPLN	4.282	4.320	4.316	4.288	4.2792
USDPLN	3.863	3.920	3.920	3.872	3.8647
EURUSD	1.100	1.109	1.101	1.108	-

Interest rate market 04/12/2019

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**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.69	1	1.71	3	-0.34	0
2L	1.68	2	1.60	5	-0.34	0
3L	1.64	3	1.56	6	-0.31	1
4L	1.64	3	1.56	7	-0.26	1
5L	1.65	4	1.57	7	-0.21	2
8L	1.68	4	1.64	8	-0.03	3
10L	1.70	4	1.71	9	0.09	3

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	1.66	3
9x12	1.62	2
3x9	1.78	0
6x12	1.74	1

Measures of fiscal risk

Measures of riskiness				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.33	3
France	18	1	0.31	0
Hungary			2.19	0
Spain	41	0	0.76	0
Italy	136	-1	1.61	0
Portugal	39	-1	0.70	0
Ireland	25	2	0.34	0
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

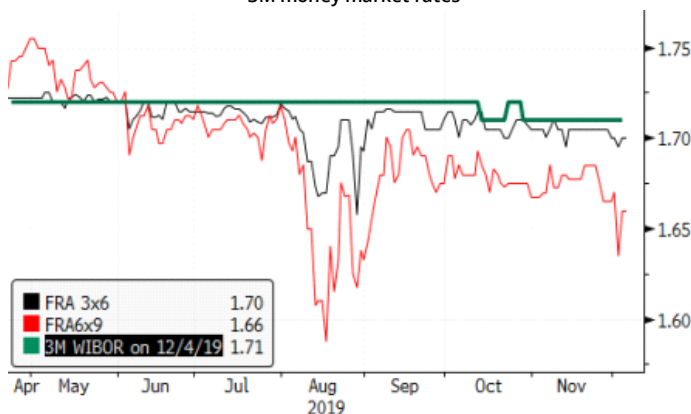
Zloty exchange rate



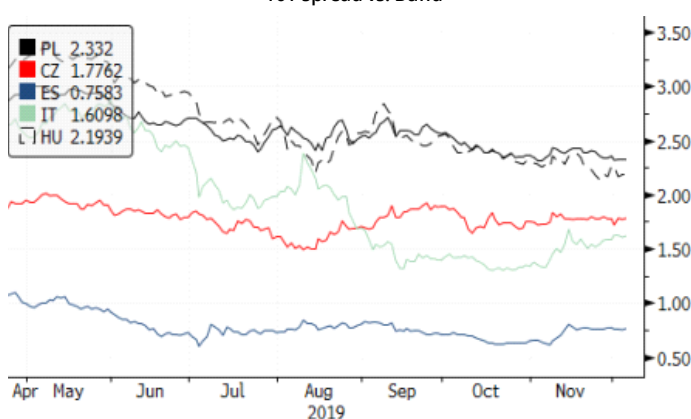
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar								
TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	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	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	-	51.7	51.3
10:00	EZ	Eurozone Services PMI	Nov	pts	51.5	-	51.9	51.5
14:15	US	ADP report	Nov	k	140	-	67	121
16:00	US	ISM services	Nov	pts	54.5	-	53.9	54.7
THURSDAY (5 December)								
08:00	DE	Factory Orders	Oct	% m/m	0.4	-	-0,4	1.5
11:00	EZ	GDP SA	3Q	% y/y	1.2	-		1.2
11:00	EZ	Retail Sales	Oct	% m/m	-0.5	-		0.1
14:30	US	Initial Jobless Claims	week	k	215	-		213
16:00	US	Durable Goods Orders	Oct	% m/m	0.6	-		0.6
16:00	US	Factory Orders	Oct	% m/m	0.3	-		-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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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>.