

9 December 2019

Eyeopener

Zloty breaks its series

Strong US monthly jobs report
Dollar gains after data, zloty slightly weaker
Polish bond stable at the end of the week
German exports beats expectations, Czech output in line

Friday began with pretty poor German industrial production reading, however later in the day, especially after very good US labor market data, the market sentiment has improved significantly and stocks ended the day in green. The dollar index increased by 0.4%, US 10Y yields rose temporarily to 1.86% (or +6bp) only to close at 1.83%. Emerging market currencies recorded mixed performance – some of them as, for example, South American currencies which were being sold recently, like peso or real have gained around 1%, while the currencies of our region (CEEMEA) were losing, and zloty lost the most (-0.6%). Precious metals cheapened and quite a bit – gold down 1.2%, silver down temporarily even by 2.5%. Brent oil gained 2.3% to 64.6 USD/bbl after Saudi Arabia cut the production by 400k bbl/day – even more than agreed during the OPEC+ meeting. Today in the morning German exports data beat expectations.

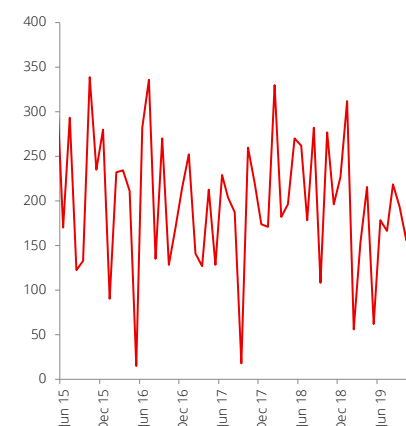
EURUSD fell by 0.5% to 1.104 after the US labour market data and due to the growing volatility. The exchange rate went below its 100-day moving average and the continued indication of the options market that a rise of the fx pair is more probable than a fall seems now questionable. Further significant EURUSD moves will depend on geopolitics – the result of Thursday UK parliamentary elections and the progress in trade talks. This time the central banks' decisions, ECB and Fed, will be less market-relevant.

EURPLN and USDPLN climbed on Friday. On Friday we suggested that EURPLN is likely to take a breather at 4.27 during its march south, and actually the pair even climbed after reaching this level. At the end of the day the exchange rate was close to 4.283. USDPLN rebounded by 0.6% to 3.873. CHFPLN ended the day at 3.91 and GBPPLN at 5.08. Important data will be released in the second half of the week, so EURPLN should remain under impact of global data, especially parliamentary election in the United Kingdom.

On the domestic interest rate market, IRS rates did not change (10Y at 1.71%), while government bond yields rose in the middle of the curve by 5bp and fell by 2bp on the long end. As a result, 10Y ASW narrowed by c2bp to 29bp. The German yield curve did not move on Friday (yields went up by 2bp intraday), while the US curve moved in parallel by c2-3bp. As a result, the 10Y Bund spread narrowed by 2bp to 229bp, the lowest value since 2015.

This week, there are high chances for the phase one deal to be signed before December 15. Should this happen, it would be only one step on the long and a rocky road of talks, but markets would surely welcome such news with great optimism. If the deal is not signed by weekend, but there is a suggestion of a nearing agreement, and the new tariffs on consumer goods are postponed, it would be still not so bad scenario for markets. Parliamentary election in the UK takes place on Thursday. The pound gained somewhat in the recent days amid hopes that the UK Conservative party would secure stable majority allowing them to finish the legislative process of leaving the EU in an orderly fashion. Although it seems that this scenario is already to some extent priced in, we see room for the market positive reaction should this be delivered. The ECB and FOMC will decide about the interest rates. We do not expect any changes and we think that the central bank meetings will be overshadowed by the geopolitical issues.

Monthly change of the US nonfarm payrolls (k)



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 Luzziński +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	4.2750	CZKPLN	0.1674
USDPLN	3.8644	HUFPLN*	1.2916
EURUSD	1.1062	RUBPLN	0.0607
CHFPLN	3.9014	NOKPLN	0.4235
GBPPLN	5.0901	DKKPLN	0.5721
USDCNY	7.0358	SEKPLN	0.4067

*for 100HUF

Last session in the FX market 06/12/2019

	min	max	open	close	fixing
EURPLN	4.271	4.285	4.275	4.276	4.2721
USDPLN	3.846	3.878	3.850	3.866	3.85
EURUSD	1.104	1.111	1.111	1.106	-

Interest rate market 06/12/2019

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)	1.71	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	1.99	-2	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	1.68	-1	1.73	2	-0.34	0
2L	1.69	0	1.64	4	-0.32	0
3L	1.64	-1	1.61	4	-0.28	0
4L	1.64	0	1.62	4	-0.24	1
5L	1.65	-1	1.63	4	-0.18	1
8L	1.68	0	1.71	4	-0.01	1
10L	1.71	-1	1.77	4	0.11	2

WIBOR rates

Term	%	Change (bps)
O/N	1.59	1
T/N	1.59	-1
SW	1.58	0
2W	1.60	0
1M	1.63	0
3M	1.70	-1
6M	1.79	0
9M	1.80	0
1Y	1.84	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.70	-1
3x6	1.70	-1
6x9	1.65	-1
9x12	1.61	-1
3x9	1.78	0
6x12	1.75	0

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.29	-1
France	18	0	0.32	0
Hungary			2.09	-7
Spain	41	1	0.78	0
Italy	138	1	1.64	0
Portugal	39	-1	0.71	1
Ireland	25	1	0.36	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

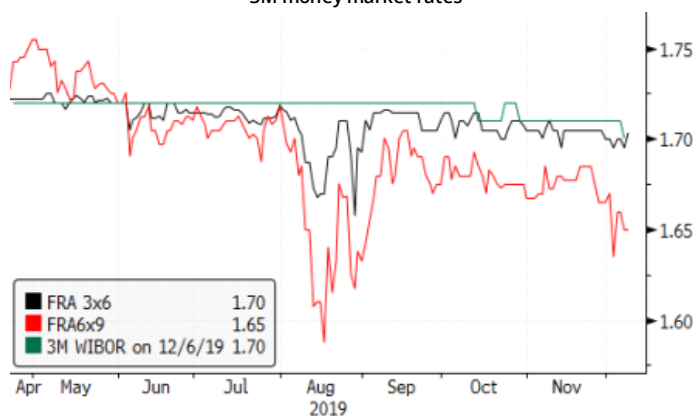
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (6 December)							
08:00	DE	Industrial Production SA	Oct	% m/m	0.1	-	-0.6
09:00	HU	Industrial Production SA	Oct	% y/y	6.7	-	6.4
14:30	US	Change in Nonfarm Payrolls	Nov	k	180	-	266
14:30	US	Unemployment Rate	Nov	%	3.6	-	3.5
16:00	US	Michigan index	Dec	pts	97.0	-	99.2
MONDAY (9 December)							
08:00	DE	Exports SA	Oct	% m/m	-0.3	-	1.2
09:00	CZ	Industrial Production	Oct	% y/y	-3.0	-	-3.0
TUESDAY (10 December)							
09:00	CZ	CPI	Nov	% y/y	2.9	-	2.7
09:00	HU	CPI	Nov	% y/y	3.3	-	2.9
11:00	DE	ZEW Survey Current Situation	Dec	pts	-22.0	-	-24.7
WEDNESDAY (11 December)							
14:30	US	CPI	Nov	% m/m	0.2	-	0.4
20:00	US	FOMC decision		%	1.50-1.75	-	1.50-1.75
THURSDAY (12 December)							
	UK	General elections					
08:00	DE	HICP	Nov	% m/m	-0.8	-	-0.8
11:00	EZ	Industrial Production SA	Oct	% m/m	-0.2	-	0.1
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0
14:30	US	Initial Jobless Claims		k	215	-	203
FRIDAY (13 December)							
10:00	PL	CPI	Nov	% y/y	-	2.6	2.6
14:30	US	Retail Sales Advance	Nov	% m/m	0.4	-	0.3

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>.