

10 December 2019

Eyeopener

Calm start of the week

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Zloty and its CEE peers weaker

Polish bonds gained, IRS flat

Today CEE inflation readings and German ZEW

Monday was a quiet day on markets as investors await main events of the current week (UK elections, ECB and Fed meetings, potential tariffs increase on China as well as plenty of important data like US CPI and retail sales). Most of the developed markets stock indices have not changed from Friday by more than low teens basis points. In the emerging markets – stock indices in Asia and South America gained while those in Central Europe lost, including Warsaw. Majority of Emerging Market currencies were stable to slightly stronger with exception of Turkish lira and Brazilian real (after higher than expected inflation) and Polish zloty. Core market yields moved slightly lower. Gold and silver picked up only slightly after Friday's falls, while oil price remained unchanged.

The **Moody's rating agency** said that the labour market shortages (emigration to Western and Northern Europe) pose risk for long-term chances and current economic growth in CEE countries, especially in Hungary, Romania and Poland.

After **EURUSD** fell on Friday in response to the strong US labor market data from 1.111 to 1.104 (and the dollar index rose by 0.5% to 97.8), on Monday the exchange rate rose a little to 1.107, by 0.2%. EURUSD is currently trading at the 100 day moving average and the important forthcoming events will decide about its future direction – in case of increases the first target is at 1.116, while in case of decreases, after breaking 1.10 the next important level is at 1.09.

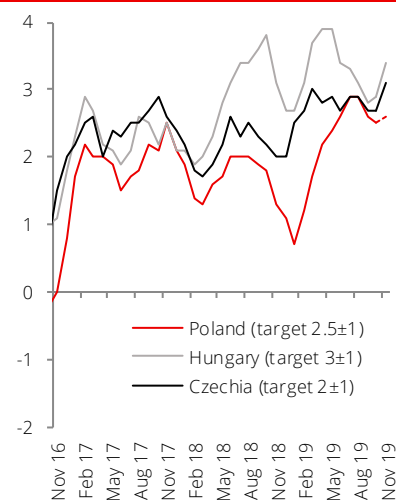
EURPLN continued the upside move after on Friday it rebounded from 4.27 support we mentioned and on Monday it closed at 4.283. Today at the opening the exchange rate traded briefly close to 4.29. Global market sentiment has slightly deteriorated, because there is still no decision if the US will increase the tariffs on China products on 15th December. The stock indices reaction to the uncertainty has been limited so far and the daily price ranges muted. We expect further slight zloty depreciation in the coming days towards 4.29-4.30 levels.

Regarding other CEE currencies, the Hungarian forint also lost (EURHUF higher by 0.3% to 331.6), while EURCZK remained unchanged at 25.52. USDRUB continued its declines – altogether 0.8% from the beginning of the month – albeit the moves were less dynamic than in the previous days. The oil gained 5% month-to-date. USDRUB closed at 63.68.

On the domestic interest rate market, swaps did not change – 10Y rate remained at 1.70%. The curve is still very flat, as the 2-10Y spread is at mere 1bp. Government bond yields declined a bit, with 10Y falling by 3bp to 1.97% from 2.00% on Friday. At the same time, 10Y asset swap spread narrowed to 27bp. 10Y spread to Bund narrowed to 224bp, last seen in 2015.

Today in the morning CEE November inflation data was released. Czech CPI rose to 3.1% y/y from 2.7% and above the consensus at 2.9%. In Hungary, inflation was at 3.4% y/y, in line with expectations and vs 2.9% in October.

CPI inflation in CEE, % y/y



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2890	CZKPLN	0.1680
USDPLN	3.8757	HUFPLN*	1.2932
EURUSD	1.1066	RUBPLN	0.0609
CHFPLN	3.9235	NOKPLN	0.4238
GBPPLN	5.0995	DKKPLN	0.5739
USDCNY	7.0409	SEKPLN	0.4069

*for 100HUF

Last session in the FX market 09/12/2019

	min	max	open	close	fixing
EURPLN	4.272	4.286	4.279	4.286	4.283
USDPLN	3.863	3.877	3.872	3.877	3.8704
EURUSD	1.105	1.108	1.106	1.106	-

Interest rate market 09/12/2019

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)	1.73	2	21 mar 19	PS0424	2.209
DS1029 (10L)	1.97	-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	0	1.73	0	-0.34	0
2L	1.69	0	1.64	0	-0.33	-1
3L	1.65	0	1.62	0	-0.29	-1
4L	1.64	0	1.62	0	-0.24	1
5L	1.65	0	1.64	0	-0.18	1
8L	1.69	0	1.70	-1	-0.01	1
10L	1.71	0	1.76	-1	0.11	0

WIBOR rates

Term	%	Change (bps)
O/N	1.57	-2
T/N	1.59	0
SW	1.58	0
2W	1.60	0
1M	1.63	0
3M	1.70	0
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	1.69	-1
6x9	1.65	0
9x12	1.61	0
3x9	1.77	-1
6x12	1.74	-1

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.28	0
France	18	-1	0.32	0
Hungary			2.04	-3
Spain	41	-1	0.76	-2
Italy	138	-4	1.58	-5
Portugal	39	-1	0.70	-1
Ireland	26	-1	0.33	-1
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

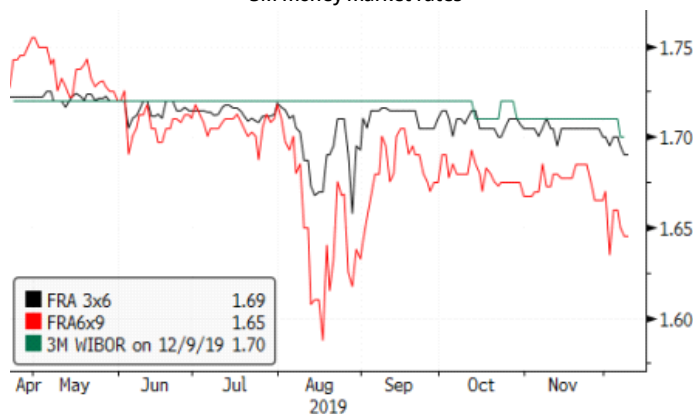
Zloty exchange rate



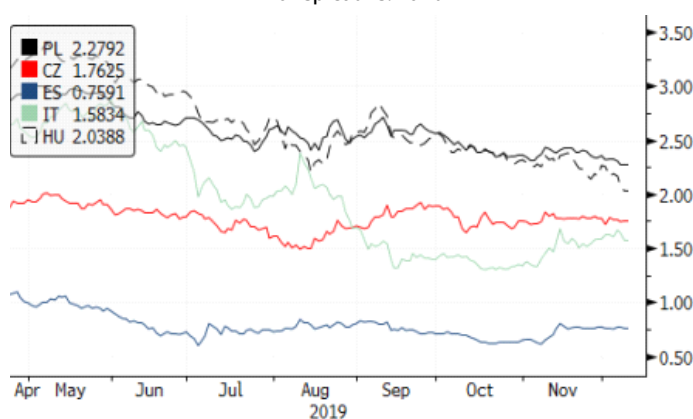
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic Calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (6 December)								
08:00	DE	Industrial Production SA	Oct	% m/m	0.1	-	-0.6	-0.6
09:00	HU	Industrial Production SA	Oct	% y/y	6.7	-	6.4	9.0
14:30	US	Change in Nonfarm Payrolls	Nov	k	180	-	266	156
14:30	US	Unemployment Rate	Nov	%	3.6	-	3.5	3.6
16:00	US	Michigan index	Dec	pts	97.0	-	99.2	96.8
MONDAY (9 December)								
08:00	DE	Exports SA	Oct	% m/m	-0.3	-	1.2	1.5
09:00	CZ	Industrial Production	Oct	% y/y	-3.0	-	-3.0	4.9
TUESDAY (10 December)								
09:00	CZ	CPI	Nov	% y/y	2.9	-	3.1	2.7
09:00	HU	CPI	Nov	% y/y	3.4	-	3.4	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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