

12 December 2019

# Eyeopener

## Today UK general elections

Fed rates unchanged  
Weaker dollar and lower yields after FOMC decision  
Zloty temporarily stronger, Polish bonds stable  
Today UK general elections, ECB decision, in Poland bond switch auction

On Wednesday, markets were relatively calm awaiting the FOMC decision. Equity markets have not changed much, the dollar index gave back all the previous day's gains (fell by 0.2% to 97.4) while core yields held stable. US November inflation and wages data were published which beat expectations. Emerging market currencies gained, especially South American ones, after much better than expected retail sales data from Brazil.

In line with expectations, the **US central bankers kept interest rates unchanged** and announced that in 2020 monetary policy parameters should not change. This view was shared by 13 FOMC members, only 4 of them see a need to hike in 2020. According to the majority, the current interest rate level is adequate given strong economic growth, labour market and inflation close to target. Forecasts of economic growth for 2020 and 2021 remained unchanged at 2% and 1.9%, respectively. In reaction to this decision, tone of the statement and the press conference, the dollar weakened and core bond yields fell.

**Today general election takes place in the United Kingdom**, and the ECB makes its decision (and is to show its new forecasts of economic growth and inflation with Christine Lagarde making her debut). In the euro zone, we will get to see industrial output data, and in the US weekly initial claims. Today also central banks of Switzerland and Turkey hold their meetings. Election in the UK may prove the most important event, with first results likely to appear today in the evening and during the night. In our view, small-margin victory of the Conservative Party could be market negative, as the government could be still unable to get on with Brexit with hung parliament. Recent polls indicated that the Boris Johnson's advantage over the Labour Party was shrinking.

**EURUSD** showed relatively high volatility yesterday (compared to other currencies). At the start of the session it dropped from almost 1.11 to 1.106 (by c0.25%), but in the evening it rose quickly to 1.114, setting a new December maximum after the FOMC meeting. Today, the exchange rate may stabilise again, awaiting the UK election results.

**EURPLN** briefly after the day opened began to fall quickly from 4.292 to almost 4.28 in the afternoon. Zloty was strong thanks to stable equity markets and remained resilient after EURUSD slightly fell in the first half of the day. USDPLN closed at 3.866, CHFPLN at 3.92, GBPPLN at 5.09.

**As for the other CEE currencies**, the forint strengthened (to 330.7 vs the euro, by 0.2%), the koruna also saw some tiny appreciation – to 25.52 vs the euro (0.1%). Czech central banker Tomas Holub said that he is considering to vote for a rate hike at the upcoming December 18 meeting. He excluded the possibility of a rate cut. He also stressed that a stronger koruna would be a substitute of higher rates. Only the ruble weakened (to 66.6 vs the dollar) after Brent oil price fell somewhat.

**Polish fixed income market** was very calm, similarly to the core markets, and the curve has not changed versus a day before. Swap curve remains still very flat and 2x10 spread is just 1bp. Bond curve is much steeper (around 60bp). All important spreads like 10Y asset swap (at +29bp) and 10Y spread versus Bund (+231bp) have not changed. Today there is a switch auction. Ministry of Finance will be buying back bonds which otherwise would mature in 2020 (that is WZ0120, PS0420, OK0720 and DS1020) and will issue the longer maturities (OK0722, PS1024, WZ0525, DS1029, WZ1129, WS0447).

### Fed December forecasts (median)

	2019	2020	2021	2022
GDP	2.2	2.0	1.9	1.8
PCE inflation	1.5	1.9	2.0	2.0
Fed rates	1.6	1.6	1.9	2.1
Unemployment rate	3.6	3.5	3.6	3.7

Source: Federal Reserve, Santander

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## FX market

### Today's opening

EURPLN	4.2839	CZKPLN	0.1679
USDPLN	3.8457	HUFPLN*	1.2978
EURUSD	1.1139	RUBPLN	0.0608
CHFPLN	3.9164	NOKPLN	0.4225
GBPPLN	5.0836	DKKPLN	0.5732
USDCNY	7.0308	SEKPLN	0.4099

\*for 100HUF

### Last session in the FX market 11/12/2019

	min	max	open	close	fixing
EURPLN	4.281	4.292	4.289	4.283	4.2851
USDPLN	3.860	3.873	3.869	3.862	3.866
EURUSD	1.107	1.110	1.109	1.109	-

## Interest rate market 11/12/2019

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.39	0	21 mar 19	OK0521	1.633
PS1024 (5L)	1.74	1	21 mar 19	PS0424	2.209
DS1029 (10L)	1.98	-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	1.74	0	-0.34	0
2L	1.70	-1	1.65	-1	-0.33	0
3L	1.65	-1	1.63	-1	-0.30	0
4L	1.64	-1	1.62	-1	-0.26	-1
5L	1.65	-1	1.63	-2	-0.21	-2
8L	1.68	-1	1.69	-3	-0.04	-2
10L	1.70	-1	1.74	-3	0.08	-2

### 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	1.70	0
6M	1.79	0
9M	1.80	0
1Y	1.84	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.69	0
3x6	1.69	0
6x9	1.66	0
9x12	1.63	0
3x9	1.77	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			2.30	-2
France	18	0	0.31	0
Hungary			2.15	0
Spain	42	0	0.73	0
Italy	132	1	1.53	0
Portugal	37	0	0.68	0
Ireland	24	2	0.31	0
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

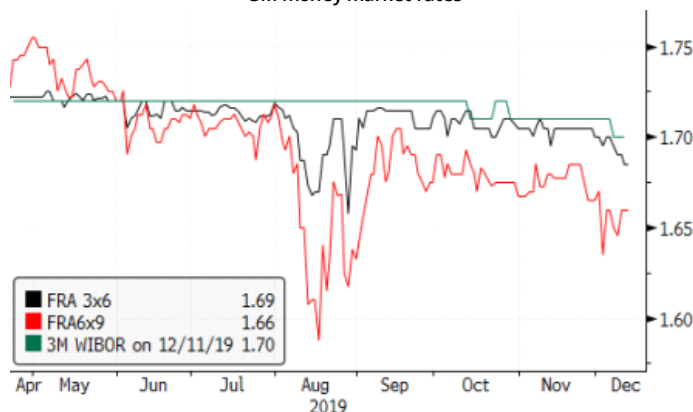
### Zloty exchange rate



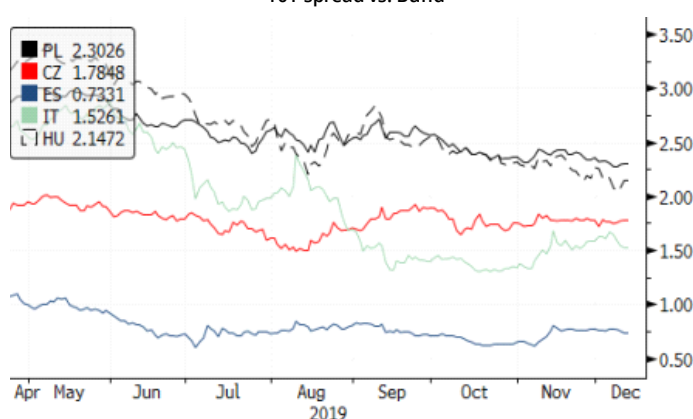
### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

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	-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	-	-19.9	-24.7
WEDNESDAY (11 December)								
14:30	US	CPI	Nov	% m/m	0.2	-	0.3	0.4
20:00	US	FOMC decision		%	1.50-1.75	-	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	-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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