



## Weekly Focus Poland

Calm week ahead in Poland, with no macro releases scheduled. Global markets to take time to digest last week's FOMC decision and new duties on Chinese imports to US. Hence, we expect yields to remain around recent levels and zloty to remain on weaker side of 4.30 vs. EUR.

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### This week:

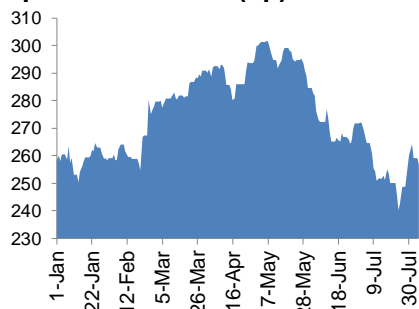
**No releases scheduled**

### Last week's highlights

- Flash inflation for July surprised to upside and arrived at 2.9% y/y (0.0% m/m), driven by robust food prices growth.
- Governor Glapinski not concerned by increase in inflation and sees no need for monetary policy to react to it.
- MPC members Gatnar and Hardt do not rule out possibility of rate hike at end of year.

## Bond market drivers

### Spread vs. Bunds (bp)

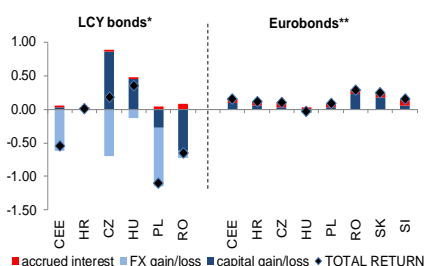


Source: Erste Group Research, Bloomberg

- Polish 10Y yield followed core market**

Ahead of the FOMC meeting last week, the Polish 10Y yield went up by 15bp to 2.25%. As an aftermath to the rate cut decision, the 10Y yield on Polish papers went back to 2.1%. However, there was barely any reaction to the surprisingly high inflation reading for July, which came in at 2.9% y/y. The spread vs. the 10Y Bund widened over the week to 270bp, but this trend reversed following an increase in trade tensions and the FOMC decision, and the spread narrowed until the end of the week to 360bp. There are no local or global macro releases this week. Hence, markets should digest the FOMC decision and new duties on Chinese imports to the US. We expect the Polish 10Y yield to remain around recent levels.

### Weekly performance of 5Y bonds (% in EUR)



Source: Erste Group Research, Bloomberg

- Weekly performance of 5Y bonds (% in EUR)**

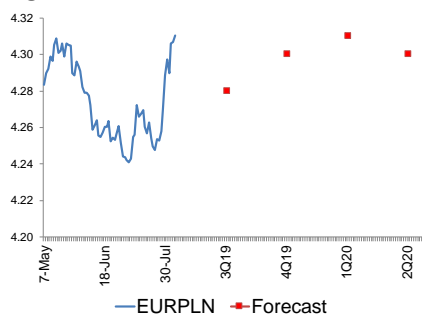
Bund movements continued to be a force majeure for CEE bond markets last week. We do not expect this to change going forward, so developments around global trade disputes and the general uncertainty in global growth prospects could, through their impact on Bunds, continue to heavily affect CEE yields. The strongest decrease in yields was observed in the Czech Republic last week, but this was also due to the CNB's new economic forecast (released after the decision to keep rates unchanged) envisaged possible rate easing next year as the baseline path.

## FX market drivers

- Zloty hit by trade disputes and higher inflation**

Over the course of the week, the zloty weakened by 0.8% against the EUR. The EURPLN went up to close to a five-month low above 4.31. Apart from global factors, such as the disappointing FOMC decision and renewed trade dispute between US and China, local factors also put additional pressure on the zloty. The higher than expected inflation reading for July and Governor Glapinski's comments regarding expected stability of rates until 2022 were negative for the zloty. We see the zloty as somewhat appreciating until the end of 3Q19, but the recent intensification in trade tensions could pose a risk to our forecast.

### EURPLN



Source: Erste Group Research, Bloomberg

## Calendar

Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
<b>6-Aug</b>							
	CZ	Trade Balance	Jun		14	52.3	Favorable development of foreign demand (despite its slowdown) and positive seasonal effect should stand behind a surplus in trade balance.
9:00	CZ	Industrial Production (y/y)	Jun	-2.6%	-2.4%	3.2%	Despite slowdown in foreign demand, development of industrial production has remained relatively solid. However, in June, the figure will be affected by lower number of working days.
<b>7-Aug</b>							
8:00	RO	Wages (y/y)	Jun		14.5%	14.68%	Wages in private sector accelerated in recent months.
9:00	CZ	Retail Sales (y/y)	Jun		3.2%	2.3%	Strong labour market and positive sentiment of households have been main factors behind relatively high growth of retail sales. The June figure was negatively affected by calendar effects.
9:00	HU	Industrial Production (y/y)	Jun		5.3%	6.1%	Low base effect could somewhat offset potential slowing impact of European deceleration through automotive industry.
11:00	HR	PPI (y/y)	Jul			0.4%	
12:00	RS	PPI (y/y)	Jul			0.6%	
<b>8-Aug</b>							
9:00	HU	CPI (y/y)	Jul		3.3%	3.4%	Seasonal factors (food, clothes) point to mitigating inflation rate, but July increase in excise tax on tobacco products and expected surging of market services prices suggest only minimal slowdown in headline rate.
9:00	HU	CPI (m/m)	Jul			-0.2%	
9:00	HU	Trade Balance	Jun P			674	
9:00	SK	Trade Balance	Jun		230	133.12	Solid development of foreign trade expected, aided by new car plant production, but amidst headwinds coming from external environment.
12:00	RS	Target Rate	Aug		2.5%	2.75%	We see NBS opting for another cut amid low inflation movements and renewed dinar appreciation pressures.
<b>8-Aug</b>							
	SK	Industrial Production (y/y)	Jun		5.9%	5%	Fairly brisk rate of growth, courtesy of car sector, anticipated for June. However, faster rate of IP growth inhibited by cloudier external environment.
8:00	RO	Trade Balance	Jun		-1.5	-1481.6	Rising trade deficit for consumer and intermediate goods.
9:00	SK	Wages (y/y)	Jun			7.5%	
10:30	SI	Industrial Production (y/y)	Jun		3.0%	3.1%	Industrial production expected to maintain positive development in June, albeit at somewhat slower growth pace.
10:30	SI	Trade Balance	Jun		80	0.13	More dynamic growth on imports side to continue in June.
11:00	HR	Trade Balance	May			-7582.7	

## Market Forecasts

Government bond yields					
	current	2019Q3	2019Q4	2020Q1	2020Q2
<b>Croatia 10Y</b>	0.99	1.10	1.00	1.00	1.00
spread (bps)	151	160	140	130	130
<b>Czech Rep. 10Y</b>	1.00	1.51	1.71	1.87	1.99
spread (bps)	152	201	211	217	229
<b>Hungary 10Y</b>	1.90	2.11	2.15	2.31	2.46
spread (bps)	242	261	255	261	276
<b>Poland 10Y</b>	2.04	2.20	2.30	2.35	2.30
spread (bps)	256	270	270	265	260
<b>Romania10Y</b>	4.19	4.70	4.90	5.10	5.20
spread (bps)	471	520	530	540	550
<b>Slovakia 10Y</b>	-0.18	0.05	0.20	0.30	0.35
spread (bps)	34	55	60	60	65
<b>Slovenia 10Y</b>	-0.05	0.15	0.20	0.20	0.20
spread (bps)	47	65	60	50	50
<b>Serbia 5Y</b>	3.20	2.80	3.00	2.90	2.70
<b>DE10Y*</b>	-0.52	-0.50	-0.40	-0.30	-0.30

FX					
	current	2019Q3	2019Q4	2020Q1	2020Q2
<b>EURHRK</b>	7.39	7.40	7.42	7.42	7.38
forwards		7.39	7.39	7.39	7.39
<b>EURCZK</b>	25.78	25.55	25.30	25.14	24.88
forwards		25.87	25.98	26.10	26.23
<b>EURHUF</b>	326.5	325.0	325.0	325.0	325.0
forwards		326.8	327.3	327.9	328.6
<b>EURPLN</b>	4.31	4.28	4.30	4.31	4.30
forwards		4.32	4.35	4.37	4.40
<b>EURRON</b>	4.73	4.75	4.77	4.79	4.82
forwards		4.75	4.79	4.83	4.87
<b>EURRSD</b>	117.8	117.7	118.0	118.0	117.8
forwards		-	-	-	-
<b>EURUSD</b>	1.12	1.10	1.10	1.12	1.15

3M Money Market Rate						Key Interest Rate					
	current	2019Q3	2019Q4	2020Q1	2020Q2		current	2019Q3	2019Q4	2020Q1	2020Q2
<b>Croatia</b>	0.48	0.50	0.50	0.50	0.50	<b>Croatia</b>	0.30	0.30	0.30	0.30	0.30
<b>Czech Republic</b>	2.15	2.16	2.16	2.22	2.36	<b>Czech Republic</b>	2.00	2.00	2.00	2.00	2.25
<b>Hungary</b>	0.26	0.25	0.25	0.35	0.45	<b>Hungary</b>	0.90	0.90	0.90	0.90	0.90
<b>Poland</b>	1.72	1.72	1.72	1.72	1.72	<b>Poland</b>	1.50	1.50	1.50	1.50	1.50
<b>Romania</b>	3.08	3.40	3.40	3.30	3.30	<b>Romania</b>	2.50	2.50	2.50	2.50	2.50
<b>Serbia</b>	2.41	2.45	2.48	2.47	2.48	<b>Serbia</b>	2.75	2.50	2.50	2.50	2.50
<b>Eurozone</b>	-0.38	-0.40	-0.50	-0.50	-0.50	<b>Eurozone</b>	0.00	0.00	0.00	0.00	0.00

Source: Erste Group Research, Bloomberg

Note: \*Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.

Past performance available [here](#)

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