

5 February 2019

# Eyeopener

## Banks tighten criteria for mortgages

Risk aversion is back on the market  
Zloty weaker, EURUSD stable  
Bond yields further up  
Today euro zone and US data services activity data

At the beginning of the week, bonds on the core and euro zone peripheral markets as well as equities were under pressure. At the same time, the FX market was pretty calm and only the yen recorded some noticeable depreciation. Bonds and the dollar were still under the impact of the Friday's mostly better-than-expected US macro data. Yesterday's releases from the world's biggest economy were not that encouraging but the factory and durable goods orders did not have much impact on the market.

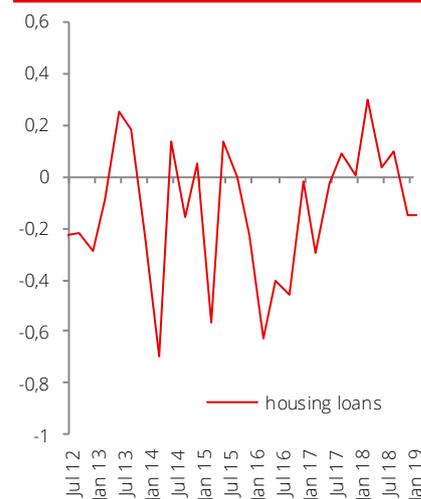
**According to the central bank's credit survey**, in 4Q18 commercial banks tightened their criteria for mortgages and corporate loans, particularly for SMEs. This was due to the rising risk in some branches (construction, trade) and expected capital situation of banks. In case of the mortgages, stricter approach towards income calculation of individual entrepreneurs was applied. Banks did not report any meaningful change in demand for loans while they expect it to fade somewhat for mortgages. Banks also expect further tightening of criteria in this segment.

**EURUSD** was long stable during the Monday's session and only in late afternoon it fell below Friday's low at 1.142 for a while. At the end of the day, the exchange rate was slightly above that level. Today, we will see data from the euro zone and US but we not expect them to have a meaningful impact on the market. In the recent weeks, EURUSD has been pretty stable and it seems that only a breaking news on the US-China trade talks or Brexit could trigger a persistent directional move.

**EURPLN and USDPLN** were hovering near the levels reached on Friday afternoon at 4.285 and 3.745, respectively. In case of the other CEE currencies, not big changes were seen. After a noticeable rise of volatility recorded later in the previous week, after the weekend the situation has clearly stabilized. We do not expect any noticeable changes to take place on the Polish FX market in the nearest future as even the change in FOMC rhetoric failed to support the zloty persistently.

On Monday the **domestic yield curve** moved 2-5bp up, following the core market yields. Yesterday Polish debt underperformed its German and Euro-periphery peers. At the beginning of the year, the yields of Polish 5Y and 10Y t-bonds (as well as Bunds) reached the levels last seen in 2H16 and are now hovering in the narrow range around them. On the US market, long before last week's FOMC meeting the market has stopped pricing in any rate hikes in 2019. Therefore the easing of FOMC rhetoric at the January conference did not push the yields down permanently. Thus, we believe that in the short term the room for further t-bonds strengthening is limited.

**NBP credit survey, criteria for mortgages\***



\*negative values mean tighter conditions  
Source: NBP, Santander

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**FX market**

Today's opening			
EURPLN	4.2850	CZKPLN	0.1668
USDPLN	3.7534	HUFPLN*	1.3497
EURUSD	1.1416	RUBPLN	0.0572
CHFPLN	3.7552	NOKPLN	0.4426
GBPPLN	4.8910	DKKPLN	0.5740
USDCNY	6.7422	SEKPLN	0.4113

\*for 100HUF

**Last session in the FX market 04/02/2019**

	min	max	open	close	fixing
EURPLN	4.278	4.294	4.291	4.287	4.2813
USDPLN	3.736	3.752	3.741	3.750	3.7408
EURUSD	1.143	1.147	1.146	1.143	-

**Interest rate market 04/02/2019**

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.52	0	25 sty 19	OK0521	1.479
PS0424 (5L)	2.20	4	25 sty 19	PS0424	2.160
WS0428 (10L)	2.77	3	25 sty 19	WS0428	2.783

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.72	1	-0.22	0
2L	1.77	0	2.67	2	-0.15	0
3L	1.85	1	2.63	2	-0.06	1
4L	1.96	2	2.61	3	0.05	1
5L	2.07	3	2.62	3	0.16	1
8L	2.28	4	2.69	3	0.50	1
10L	2.41	3	2.75	4	0.71	1

**WIBOR rates**

Term	%	Change (bps)
O/N	1.54	1
T/N	1.54	1
SW	1.54	1
2W	1.57	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.82	0
1Y	1.87	0

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

Term	%	Change (bps)
1x4	1.71	0
3x6	1.72	0
6x9	1.71	0
9x12	1.70	0
3x9	1.77	0
6x12	1.76	1

**Measures of fiscal risk**

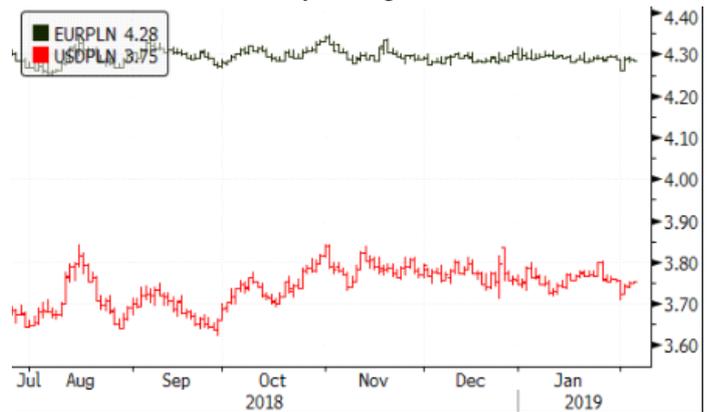
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.60	3
France	38	-1	0.41	0
Hungary			2.50	0
Spain	76	0	1.07	0
Italy	217	-1	2.58	3
Portugal	88	0	1.49	1
Ireland	41	-1	0.72	0
Germany	13	1	-	-

\* 10Y treasury bonds over 10Y Bunds

\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

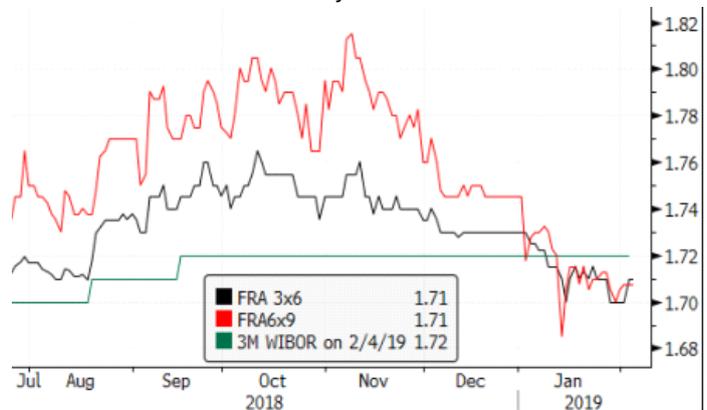
Zloty exchange rate



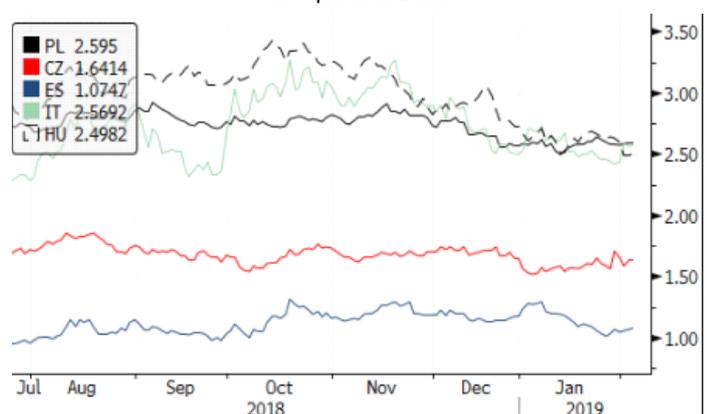
T-bonds yields



3M money market rates



10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
<b>FRIDAY (1 February)</b>								
09:00	PL	Poland Manufacturing PMI	Jan	pts	48.0	49.5	48.2	47.6
09:55	DE	Germany Manufacturing PMI	Jan	pts	49.9	-	49.7	51.5
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	50.5	-	50.5	51.4
11:00	EZ	Flash HICP	Jan	% y/y	1.4	-	1,4	1.6
14:30	US	Change in Nonfarm Payrolls	Jan	k	165	-	304	222
14:30	US	Unemployment Rate	Jan	%	3.9	-	4.0	3.9
16:00	US	Michigan index	Jan	pts	90.7	-	91,2	90.7
16:00	US	ISM manufacturing	Jan	pts	54.0	-	56,6	54.3
<b>MONDAY (4 February)</b>								
16:00	US	Durable Goods Orders	Nov	% m/m	1.7	-	0.7	0.8
16:00	US	Factory Orders	Nov	% m/m	0.3	-	-0.6	-2.1
<b>TUESDAY (5 February)</b>								
09:55	DE	Markit Germany Services PMI	Jan	pts	53.1	-		53.1
10:00	EZ	Eurozone Services PMI	Jan	pts	50.8	-		50.8
11:00	EZ	Retail Sales	Dec	% m/m	-1.05	-		0.6
16:00	US	ISM services	Jan	pts	57.3	-		58.0
<b>WEDNESDAY (6 February)</b>								
	PL	MPC decision		%	1.50	1.50		1.50
08:00	DE	Factory Orders	Dec	% m/m	0.3	-		-1.0
09:00	CZ	Industrial Production	Dec	% y/y	0.55	-		4.8
<b>THURSDAY (7 February)</b>								
08:00	DE	Industrial Production SA	Dec	% m/m	0.85	-		-1.9
09:00	HU	Industrial Production SA	Dec	% y/y	0.0	-		3.5
13:00	CZ	Central Bank Rate Decision		%	1.75	-		1.75
14:30	US	Initial Jobless Claims	week	k	215.0	-		253.0
08:00	DE	Exports SA	Dec	% m/m	0.35	-		-0.3
<b>FRIDAY (8 February)</b>								
08:00	DE	Exports SA	Dec	% m/m	0.35	-		-0.3

Source: Santander Bank Polska, Bloomberg, Parkiet  
\* in case of the revision the data is updated

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