

9 October 2018

Eyeopener

IMF trims forecasts for the global economy

Week starts in negative moods
IMF trimmed forecasts for the global growth
Zloty slightly weaker, EURUSD down
Polish bond yields stable
Today Czech and Hungarian inflation

US holiday this time did not imply lower volatility on the global market. The start of the week was marked by persisting risk aversion, strong dollar, declining yields in core markets and rising yields in the euro zone peripheries. The impulse for changes came from returning worries about Italian fiscal policy (reflected in surging bond yields), weaker than expected data from Germany released in the morning, or the unofficial news that the pace of Brexit negotiations has decreased. Exchange rate fluctuations in CEE region were quite small. Today in the morning the data about German exports again were lower than expected. Market sentiment is quite poor, stock markets in Japan and Australia were declining, and in China recorded slight gain after earlier strong drop.

IMF has raised the economic growth forecasts for Poland to 4.4% in 2018 (vs. 4.1% in the April edition) and 3.5% in 2019 (no changes vs. April). In the long term, IMF expects the growth to slow down in response to negative demographic changes. The IMF outlook for Poland, although it moved up, remains below consensus according to Bloomberg (4.6% and 3.6%, respectively). The IMF analysts were less optimistic as regards global economy: the growth for 2018 and 2019 was cut down to 3.7% from 3.9% (the first cut since July 2016). According to the Fund, economic expansion has become less balanced, trade wars pose a threat, some developed economies have already passed the peak of the cycle whereas developing countries recorded a clear deterioration of the outlook. In the IMF opinion, the risks to growth have intensified in the last six months.

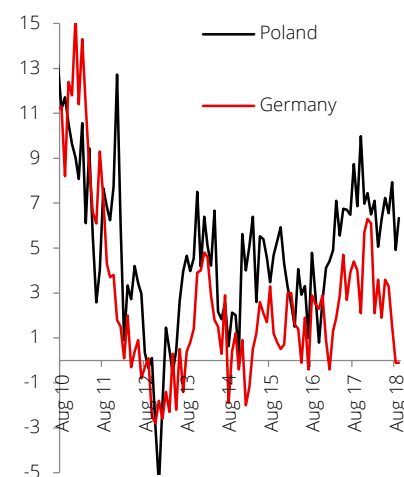
After two upward sessions, **EURUSD** dropped on Monday setting October's low at 1.146. The euro was under pressure of weak German data, while the dollar benefitted from higher demand for safe assets. On Tuesday, there are no important data releases but in coming days FOMC's members are scheduled to speak (Williams today in the evening). EURUSD failed to hold above resistance at 1.175 and then slid below support at 1.155. It seems that the euro will need a strong positive impulse in order to try to get strengthen vs the dollar.

EURPLN was hovering yesterday around 4.305 holding within the Thursday's peak and low, just like on Friday. The Polish currency, just like bonds, was resilient to deterioration of the global market mood and dollar appreciation. USDPLN rebounded to 3.76 from 3.74 only due to lower EURUSD. Today in the morning, EURPLN is slightly below 4.32.

In case of the **other CEE currencies**, the forint and ruble lost but only temporarily (the Russian currency was pressured by falling oil prices) while the Czech koruna gained. EURCZK is on the rise since mid-September amid less hawkish rhetoric of the Czech central bank but the yesterday's below-consensus industrial output figure did not weigh on the koruna. Today we will see Czech September CPI. In our view, this release might have a bigger impact in case of a downward surprise.

Yesterday, yields of **Polish t-bonds** did not change compared to the Friday's closing. It seems that the Polish bonds market was under influence of two opposing forces: strengthening on the core markets (higher risk aversion effect) and weakening of euro zone periphery bonds (Italy-EU crisis effect).

Industrial output, sa, % y/y



Source: Thomson Reuters, Bloomberg, Santander Bank Polska

World Economic Outlook: economic growth forecasts and scale of revision vs July version

	2018	2019	change 2018	change 2019
World	3.7	3.7	-0.2	-0.2
Advanced Economies	2.4	2.1	0.0	-0.1
EM and Developing Economies	4.7	4.7	-0.2	-0.4
Euro Area	2.0	1.9	-0.2	0.0
USA	2.9	2.5	0.0	-0.2
Germany	1.9	1.9	-0.3	-0.2
Emerging and Developing Europe	3.8	2.0	-0.5	-1.6
Poland	4.4	3.5	+0.3	0.0
World Trade Volume	4.2	4.0	-0.6	-0.5

Source: IMF, Santander Bank Polska

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: skarb.santander.pl
Piotr Bielski +48 22 534 18 87
Marcin Łuziński +48 22 534 18 85
Grzegorz Ogonek +48 22 534 19 23
Konrad Soszyński +48 22 534 18 86
Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4.3181	CZKPLN	0.1676
USDPLN	3.7624	HUFPLN*	1.3263
EURUSD	1.1477	RUBPLN	0.0564
CHFPLN	3.7872	NOKPLN	0.4542
GBPPLN	4.9210	DKKPLN	0.5788
USDCNY	6.9209	SEKPLN	0.4135

*for 100HUF

Last session in the FX market 08/10/2018

	min	max	open	close	fixing
EURPLN	4.297	4.320	4.305	4.320	4.3112
USDPLN	3.731	3.764	3.739	3.763	3.7574
EURUSD	1.146	1.154	1.152	1.148	-

Interest rate market 08/10/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.59	1	4 paź 18	OK0720	1.517
DS1023 (5L)	2.59	-1	4 paź 18	PS0424	2.732
WS0428 (10L)	3.30	0	4 paź 18	WS0428	3.303

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.79	0	2.82	0	-0.24	0
2L	2.01	0	3.06	0	-0.09	-1
3L	2.23	0	3.14	0	0.10	-1
4L	2.42	-1	3.17	-1	0.28	-1
5L	2.58	0	3.17	-2	0.44	-2
8L	2.89	-1	3.24	0	0.84	-2
10L	3.05	0	3.26	0	1.06	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.75	15
T/N	1.75	15
SW	1.62	4
2W	1.60	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	1.73	0
3x6	1.76	0
6x9	1.80	0
9x12	1.85	0
3x9	1.86	0
6x12	1.89	0

Measures of fiscal risk

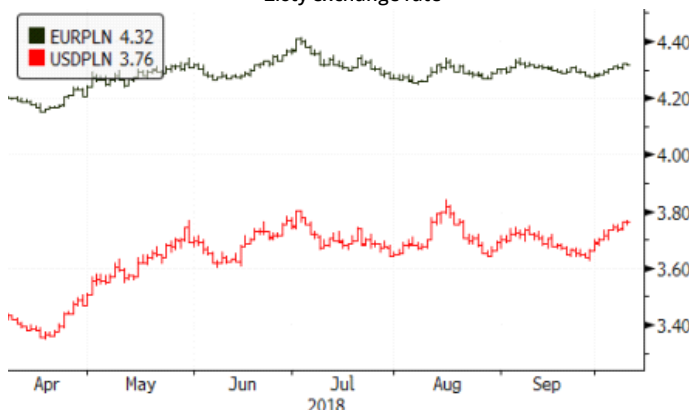
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.75 -2
France	25 1	0.34 -1
Hungary	116 1	3.20 -2
Spain	65 4	1.04 -2
Italy	221 8	2.98 -5
Portugal	64 0	1.41 -3
Ireland	25 0	0.51 -1
Germany	11 0	- -

* 10Y treasury bonds over 10Y Bunds

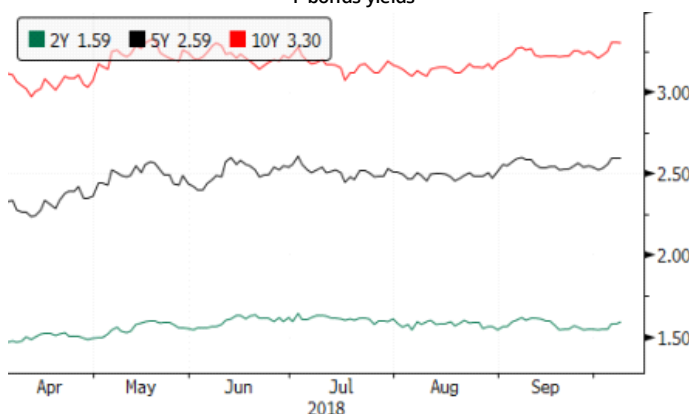
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

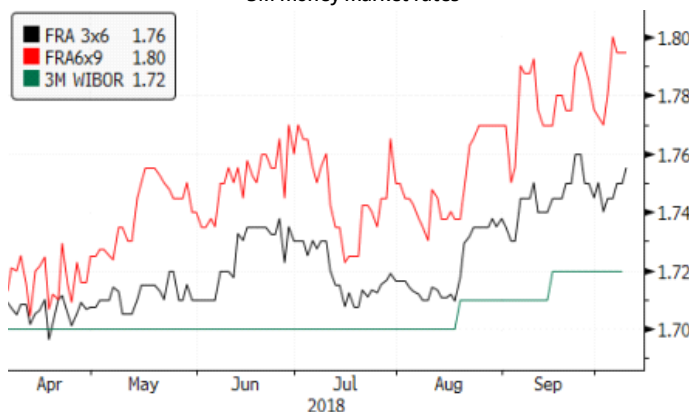
Zloty exchange rate



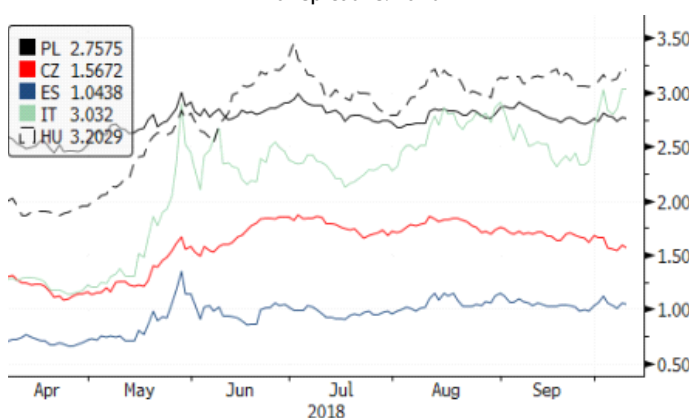
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (5 October)								
8:00	DE	Industrial orders	Aug	% m/m	0.8	-	2.0	-0.9
14:30	US	Non-farm payrolls	Sep	k	185	-	134	270
14:30	US	Unemployment rate	Sep	%	3.8	-	3.7	3.9
MONDAY (8 October)								
03:45	CN	Caixin China PMI Services	Sep	pts	51.4	-	53.1	51.5
08:00	DE	Industrial Production SA	Aug	% m/m	0.5	-	-0.3	-1.1
09:00	CZ	Industrial Production	Aug	% y/y	2.6	-	1.9	10.3
TUESDAY (9 October)								
08:00	DE	Exports SA	Aug	% m/m	0.4	-	-0.1	-0.8
09:00	CZ	CPI	Sep	% y/y	2.5	-		2.5
09:00	HU	CPI	Sep	% y/y	3.5	-		3.4
WEDNESDAY (10 October)								
No important events						-		
THURSDAY (11 October)								
14:30	US	CPI	Sep	% m/m	0.2	-		0.2
14:30	US	Initial Jobless Claims	week	k	215	-		207
FRIDAY (12 October)								
	PL	Fitch Rating Review						
	PL	S&P Rating Review						
08:00	DE	HICP	Sep	% m/m	0.4	-		0.4
11:00	EZ	Industrial Production SA	Aug	% m/m	0.5	-		-0.8
16:00	US	Michigan index	Oct	pts	100.8	-		100.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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>.