

21 November 2018

# Eyeopener

## Zloty and bonds gain

Bonds gain thanks to lower core yields  
Poland output surprises to the upside  
Zloty recovers  
Today many US data

On Tuesday, data on industrial production in Poland was released and it surprised to the upside. Meanwhile, in USA new data from the real estate market was released, confirming its weak standing. The Hungarian Central Bank left interest rates unchanged, with the base rate at 0.90%. Stocks were still under pressure which translated into yield drop on core markets and lower EURUSD. Polish bonds strengthened, following the core markets, and zloty was trimming losses.

**Poland October industrial output** beat expectations rising 7.4% y/y vs market consensus at 6.6% and our forecast at 6%. This was a pretty nice rebound after two months of subdued releases. However, output grew only 5% y/y in seasonally adjusted terms – close to the September figure. Construction and assembly output rose 22.4% y/y beating consensus (20.9%) but falling below our expectations. Output data for the first month of 4Q18 are in line with our forecast of a gradual deceleration of the pace of economic growth. In October PPI rose by 3.2% y/y. The industrial prices (on the monthly basis) were pushed up mainly by metal ores prices, while energy commodities and energy prices eased somewhat.

In Q3, **deficit of local governments (JST)** totalled PLN2bn, although usually a slight increase used to be observed in this quarter (e.g. PLN1.2bn in 2017). JST sector's YTD performance totals +PLN11.4bn. Very high activity in investments has been maintained (as a result of elections): in Q3 alone JST spent PLN13.9bn on investments, i.e. +74% y/y. It means that the sector's contribution to overall dynamics in 3Q was c7pp and it may be a factor explaining surprisingly high economic growth in this quarter (5.1% y/y according to the flash reading; detailed data will be known at the end of the month).

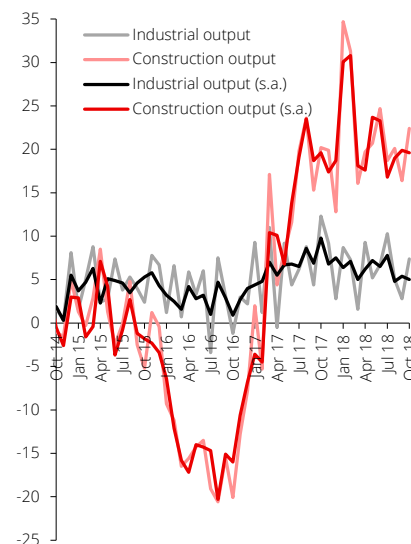
On Tuesday, **EURUSD** kept falling from the very morning fuelled by continued risk aversion and still unclear Brexit consequences. As a result, EURUSD dropped to 1.136 from 1.146. The dollar strengthened despite another weak data from the US real estate market. At today's opening, European stock futures went up slightly which may reduce room for lower EURUSD. In the afternoon, a number of new US data will be released which may trigger some higher intra-day volatility.

**EURPLN** was moving lower on Tuesday on better sentiment towards emerging markets and abating worries about liquidity of minor local banks. The appreciation of the zloty was also supported by better-than-expected industrial output data in Poland. As a consequence, EURPLN declined from 4.33 to 4.306 at the close of the local session. The exchange rate rebounded from a resistance level at 4.34 and more than offset the Monday rise. Positive sentiment at the start of today's session may help the zloty to continue recovering from recent losses.

**Other CEE currencies** were losing somewhat despite global improvement in pricing of emerging currencies. The Hungarian central bank decision to keep rates unchanged and the mild tone of the statement weighed temporarily on the forint. The ruble weakened after several days of strengthening, as oil kept moving lower.

**Yields on the domestic bond market** were going down for the whole Tuesday, thanks to positive mood on core markets triggered by declining stock indices. As a result, the Polish yield curve moved down by another 2-3bp (as did Bunds and US Treasuries). The changes were accompanied by a 4bp drop of the IRS in the 5-10Y part. Today we expect some profit taking, which can slightly lift yields. For the rest of the week, we assume some mild pressure on lower yields due to worse economic outlook in Europe and the USA.

### Output growth, % y/y



Source: Stats Office, 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	4.3044	CZKPLN	0.1654
USDPLN	3.7779	HUFPLN*	1.3402
EURUSD	1.1394	RUBPLN	0.0573
CHFPLN	3.7966	NOKPLN	0.4416
GBPPLN	4.8384	DKKPLN	0.5768
USDCNY	6.9421	SEKPLN	0.4166

\*for 100HUF

### Last session in the FX market 20/11/2018

	min	max	open	close	fixing
EURPLN	4.303	4.338	4.334	4.306	4.3314
USDPLN	3.773	3.796	3.783	3.785	3.79
EURUSD	1.137	1.147	1.146	1.138	-

## Interest rate market 20/11/2018

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.56	-2	26 paź 18	OK0720	1.456
DS1023 (5L)	2.44	-2	26 paź 18	PS0424	2.604
WS0428 (10L)	3.20	-3	26 paź 18	WS0428	3.179

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

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	-1	2.88	1	-0.24	0
2L	1.96	-2	2.99	2	-0.13	-1
3L	2.16	-3	3.01	1	0.01	-1
4L	2.31	-3	3.01	1	0.17	-1
5L	2.45	-4	3.02	1	0.32	-1
8L	2.73	-4	3.07	0	0.71	-1
10L	2.86	-4	3.12	0	0.92	-1

### WIBOR rates

Term	%	Change (bps)
O/N	1.50	-6
T/N	1.51	-5
SW	1.55	-1
2W	1.59	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	1.75	0
6x9	1.79	0
9x12	1.85	-1
3x9	1.82	0
6x12	1.87	-3

### Measures of fiscal risk

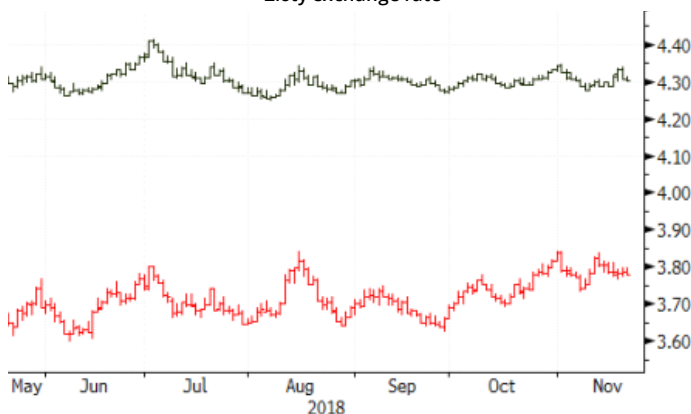
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.83 -5
France	25 1	0.39 -1
Hungary	116 1	3.09 -2
Spain	65 4	1.27 -3
Italy	221 8	3.14 -13
Portugal	64 0	1.60 -3
Ireland	25 0	0.65 -1
Germany	11 0	- -

\* 10Y treasury bonds over 10Y Bunds

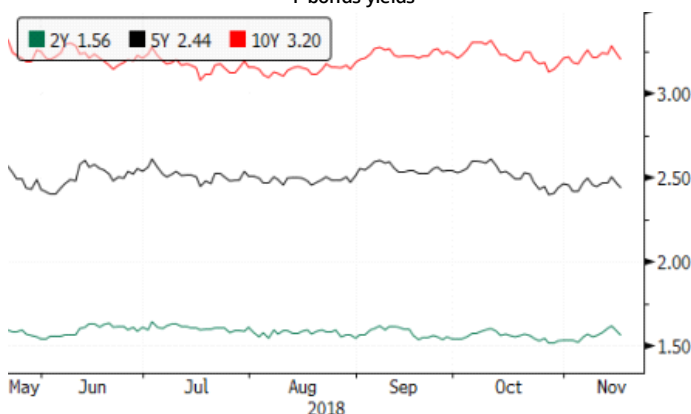
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

## Zloty exchange rate



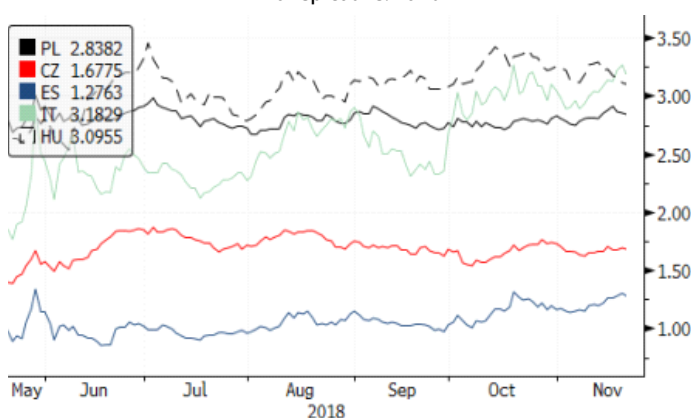
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME		COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
CET	MARKET				SANTANDER	VALUE	VALUE*	
FRIDAY (16 November)								
11:00	EZ	HICP	Oct	% y/y	2.2	-	2.2	2.2
15:15	US	Industrial Production	Oct	% m/m	0.2	-	0.1	0.3
MONDAY (19 November)								
10:00	PL	Employment in corporate sector	Oct	% y/y	3.2	3.2	3.2	3.2
10:00	PL	Average Gross Wages	Oct	% y/y	6.5	6.9	7.6	6.7
TUESDAY (20 November)								
10:00	PL	Sold Industrial Output	Oct	% y/y	6.6	6.0	7.4	2.8
10:00	PL	Construction Output	Oct	% y/y	21.0	25	22.4	16.4
10:00	PL	PPI	Oct	% y/y	3.0	3.0	3.2	2.9
14:00	HU	Central Bank Rate Decision		%	0.9	-	0.9	0.9
14:30	US	Housing Starts	Oct	% m/m	1.8	-	1.5	-5.5
WEDNESDAY (21 November)								
14:30	US	Durable Goods Orders	Oct	% m/m	-1.95	-		0.7
14:30	US	Initial Jobless Claims	week	k	213	-		216
16:00	US	Michigan index	Nov	pts	98.3	-		98.3
16:00	US	Existing Home Sales	Oct	% m/m	0.97	-		-3.38
THURSDAY (22 November)								
10:00	PL	Retail Sales Real	Oct	% y/y	5.6	5.4		3.6
FRIDAY (23 November)								
08:00	DE	GDP WDA	3Q	% y/y	1.1	-		1.1
09:30	DE	Germany Manufacturing PMI	Nov	pts	52.0	-		52.2
09:30	DE	Markit Germany Services PMI	Nov	pts	54.4	-		54.7
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	51.7	-		52.0
10:00	EZ	Eurozone Services PMI	Nov	pts	53.5	-		53.7
14:00	PL	Money Supply M3	Oct	% y/y	8.0	7.95		7.9

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.