

26 November 2018

Eyeopener

Poor data weakened the euro

Further weak releases from Europe, Brexit deal at the EU summit
 Złoty stable vs. the euro and weaker vs. the dollar on EURUSD drop
 Domestic and foreign yields significantly lower
 Today Polish unemployment rate and German Ifo

European data have had the biggest impact on the market at the end of the week. According to the flash estimates, November manufacturing PMIs for Germany and the whole euro zone fell fourth month in a row and tenth time this year reaching their lowest level since March 2016 and May 2016. Services indexes also disappointed which hit the euro and supported bonds. During the weekend EU summit, the agreement over the Brexit conditions was reached. The only obstacle that remains in place is lack of support from the British parliament that will vote on this issue in early December. The decision taken at the summit did not impact the pound. On Friday, Brent oil price fell below US\$60/bbl reaching its lowest level for a year.

MPC's **Grażyna Ancyparowicz** thinks that the MPC should remain in wait-and-see mode until the next projection in March. According to Ancyparowicz, the monetary policy should not react to spike in energy prices. Higher inflation path in the November projection did not affect her bias, as the CPI is expected to stay close to target and to go down at the end of the forecasting horizon.

M3 money supply rose 8.3% y/y in October vs 7.9% y/y in September. Growth of household deposits accelerated (to 9% y/y, fastest since late 2016, from 7.8%) but for companies a slowdown was recorded (to 3.9% from 6%). After adjusting for the FX rate effect, loans for companies accelerated to 6.3% from 5.7%, the fastest pace for nearly four years. Pace of growth of loans for individuals picked up to 5.9% from 5% with PLN-denominated loans for real estate purchases rising above 11% for the first time since mid-2016. Current loans for companies decelerated somewhat but are still growing at pretty high rate compared to the previous years. Investment loans fell in y/y terms fifth month in row.

EURUSD fell to 1.333 from 1.14 after the release of the below-consensus European data. Later in the day, the exchange rate remained near the session low. Today the November German Ifo will be released but we do not expect the figure to give much reason for the euro appreciation and so Monday's upward correction might not last long.

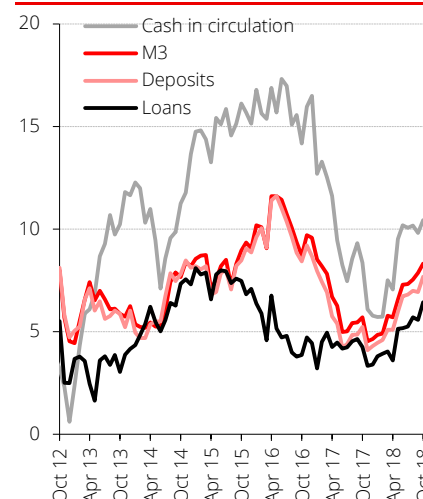
EURPLN rebounded to 4.30 from 4.29 after the morning sharp drop of EURUSD, but later in the day the złoty recovered. USDPLN jumped to 3.79 from 3.76 and was below the session peak at the end of the day.

At the end of the week, volatility of **other CEE currencies** was rising substantially. Forint and ruble depreciated. The forint decreases were driven by expectations for rating revision by Moody's scheduled for Friday evening (the rating and its outlook have been left unchanged). The falls of ruble was triggered by strong USD and slids of oil prices (by over 5%). The Czech koruna strengthen vs. EUR and was the strongest CEE currency.

At the end of the week yields of **Polish t-bonds** decreased by 3-6bp, following the slightly lower falls of yields on the core markets and in the euro zone periphery. Polish debt was a beneficiary of weak euro zone data releases. We expect positive market mood for the bonds in the following days

This week is packed with important events and data releases. On Friday, the stat office will publish detailed 3Q GDP data and flash CPI for November. We shall see what caused the flash GDP reading coming out well above the consensus. Some clues point to a stronger-than-expected rebound of investments. We think consumption stayed close to 5% y/y while net exports started to weigh on growth. We expect inflation data will show it sinking from 1.8% to 1.5% y/y due to the highly negative base effect (there was a spike of food and fuel prices a year ago). Globally, market attention should focus on the German and US data. Recent days saw some FOMC members suggesting that in 2019 there could be less rate hikes than expected so far and perhaps the minutes from the November meeting will reflect some concerns about the economic outlook after the last subdued macro readings. Markets will also be waiting for the US-China trade talks to be held later in the week. We think that the coming week will be yet another with EURPLN holding within the 4.26-4.34 range observed since August. US data is likely to push the rate towards to lower limit of this band. We think Polish yields/IRS could fall in the coming days amid strong core markets.

Monetary categories (% y/y)



Source: NBP, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.2911	CZKPLN	0.1657
USDPLN	3.7751	HUFPLN*	1.3315
EURUSD	1.1367	RUBPLN	0.0568
CHFPLN	3.7860	NOKPLN	0.4411
GBPPLN	4.8438	DKKPLN	0.5750
USDCNY	6.9367	SEKPLN	0.4170

*for 100HUF

Last session in the FX market 23/11/2018

	min	max	open	close	fixing
EURPLN	4.289	4.300	4.295	4.293	4.2972
USDPLN	3.756	3.791	3.765	3.787	3.7779
EURUSD	1.133	1.142	1.141	1.134	-

Interest rate market 23/11/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.57	-3	26 paź 18	OK0720	1.456
DS1023 (5L)	2.42	-5	26 paź 18	PS0424	2.604
WS0428 (10L)	3.16	-7	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	1.77	-1	2.90	0	-0.24	0
2L	1.92	-2	3.00	-1	-0.14	-1
3L	2.11	-4	3.01	-1	0.01	-1
4L	2.26	-4	3.02	-2	0.16	-1
5L	2.39	-5	3.02	0	0.31	-1
8L	2.66	-6	3.07	-1	0.69	-2
10L	2.80	-6	3.12	-1	0.90	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.50	21
T/N	1.50	-1
SW	1.54	0
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	1.74	-1
6x9	1.77	-1
9x12	1.82	-2
3x9	1.82	0
6x12	1.87	1

Measures of fiscal risk

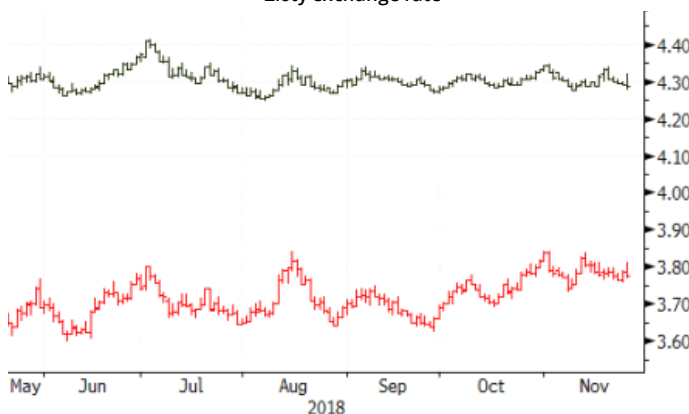
Credit Default Swaps (CDS) of selected countries				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.80	-9
France	25	1	0.37	-1
Hungary	116	1	2.94	-3
Spain	65	4	1.25	-4
Italy	221	8	2.88	-18
Portugal	64	0	1.56	-4
Ireland	25	0	0.62	-1
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

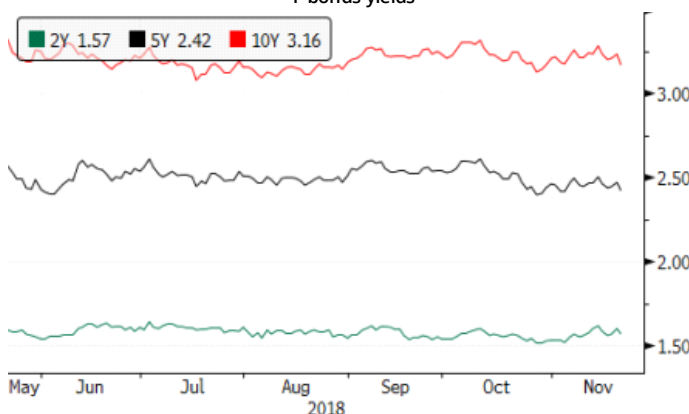
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

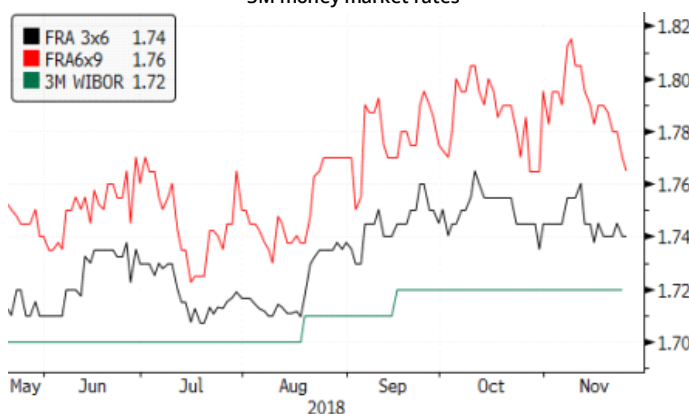
Zloty exchange rate



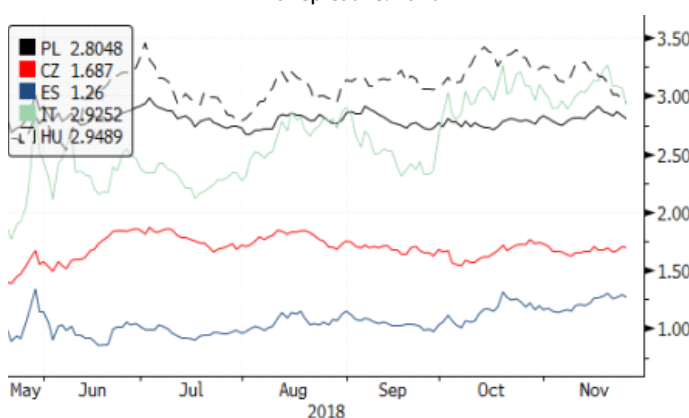
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (23 November)								
08:00	DE	GDP WDA	3Q	% y/y	1.1	-	1.1	1.1
09:30	DE	Flash Germany Manufacturing PMI	Nov	pts	52.2	-	51.6	52.2
09:30	DE	Flash Markit Germany Services PMI	Nov	pts	54.5	-	53.3	54.7
10:00	EZ	Flash Eurozone Manufacturing PMI	Nov	pts	52.0	-	51.5	52.0
10:00	EZ	Flash Eurozone Services PMI	Nov	pts	53.5	-	53.1	53.7
14:00	PL	Money Supply M3	Oct	% y/y	7.8	7.9	8.3	7.9
MONDAY (26 November)								
10:00	PL	Unemployment Rate	Oct	%	-	5.7		5.7
10:00	DE	IFO Business Climate	Nov	pts	-	-		102.8
TUESDAY (27 November)								
16:00	US	Consumer Conference Board	Nov	pts	136.2	-		137.9
WEDNESDAY (28 November)								
14:30	US	GDP Annualized	3Q	% Q/Q	3.6	-		3.5
16:00	US	New Home Sales	Oct	% m/m	5.3	-		-5.5
THURSDAY (29 November)								
11:00	PL	Bond auction						
11:00	EZ	ESI	Nov	pct.	-	-		109.8
14:00	DE	HICP	Nov	% m/m	-	-		0.1
14:30	US	Initial Jobless Claims	week	k	215.0	-		216.0
14:30	US	Personal Spending	Oct	% m/m	0.4	-		0.4
14:30	US	Personal Income	Oct	% m/m	0.4	-		0.2
14:30	US	PCE Deflator SA	Oct	% m/m	0.2	-		0.1
16:00	US	Pending Home Sales	Oct	% m/m	1.0	-		0.5
20:00	US	FOMC Meeting Minutes						
FRIDAY (30 November)								
09:00	CZ	GDP SA	3Q	% y/y	-	-		2.3
10:00	PL	Flash CPI	Nov	% y/y	1.5	1.5		1.8
10:00	PL	GDP	3Q	% y/y	5.1	5.1		5.1
11:00	EZ	Flash HICP	Nov	% y/y	-	-		2.2
11:00	EZ	Unemployment Rate	Oct	%	-	-		8.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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