

4 December 2018

Eyeopener

PLN stronger, PMI weaker

Start of the week under positive influence of G20 outcome

Polish PMI dropped below 50 pts

Złoty and other CEE currencies gained

Polish bonds stable

No important publications today

At the beginning of the week global market trading was impacted by a positive outcome of G20 summit. The optimism related to the ceasefire in US-China trade war had a decreasing impact on currencies and bonds, as the comments of US officials suggesting smaller concessions were being released. As a result, today's Asian session has already seen significant losses on stock exchanges. The final manufacturing PMI for Germany and euro zone were slightly better than initially reported. The November manufacturing ISM for USA surprised to the upside, recording an unexpected increase. The yesterday's data did not, however, had no significant market impact.

Polish PMI reached 49.5 in November, falling below neutral 50 mark for the first time since September 2014. Survey showed deterioration in new orders, production and employment. New export orders were in decline fourth month in a row, although the pace of slide slightly slowed. The PMI reading seems to signal clearly that worsening of business climate abroad is passing through to domestic manufacturing, however it should be noted that other business surveys were not as pessimistic. We think that Polish economy finally started slowing, after five quarters of exceptionally strong GDP growth, but the slowdown process will be rather mild - from current c.5% growth to around 4% in 2019.

The draft bill introducing **subsidies for households for higher energy prices** should be ready this week and should be implemented in mid-January at the latest, said energy minister Krzysztof Tchórzewski in radio interview. The subsidies would apply to all households, up to their energy expenses from the previous year, and possibly also to small and medium-sized companies. In the next two weeks we expect to have higher clarity on the scale of electricity tariff increase approved by URE (energy market regulator), on the shape of government's subsidies, and its possible impact on the next year's CPI data.

Yesterday **EURUSD** oscillated around 1.135 and did not react to data from Europe and the USA. Today no data will be released, therefore we should not expect any surprises during the session. More significant fluctuations may be observed later this week when data from the US labour market will be released.

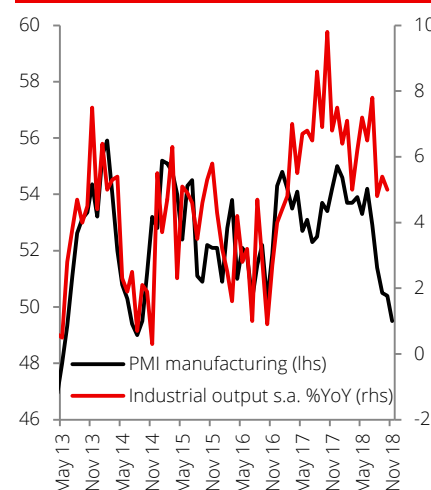
EURPLN fell to 4.275 short after the session opening and remained near that session low later on. **USDPLN** was hovering around 3.77. December has started – this month is statistically positive for the złoty. In the last 19 years, EURPLN rose in the final month of the year only five times, last time in 2014.

In the case of the **other CEE currencies**, we also saw a noticeable positive reaction to the outcome of the G20 summit. EURHUF recorded its biggest daily drop since early November. The Czech koruna and Russian ruble also gained but the scale of move was not as spectacular as the forint appreciation.

Polish bond yields and IRS did not move much on Monday. Abroad, Bund was under pressure since the beginning of the day and managed to recover until the end of the day. Treasuries were losing for the whole day. Investors are wondering whether the partial reversal of the UST curve (3Y yield is above 5Y) is a harbinger of an economic slowdown. On the euro zone peripheries, bonds gained slightly.

According to the Finance Ministry, in October foreign investors bought Polish PLN-denominated marketable bonds with face value of PLN2.3bn (the most considerable monthly net purchase since March 2018), increasing their total holdings to PLN192.2bn. However, since the start of the year, this group of investors has decreased its holdings by over PLN10bn. Public institutions were another highly active investor in October, adding PLN1.3bn. Omnibus accounts saw a rise by PLN3.4bn. Mutual funds sold securities worth PLN900mn. In geographic breakdown, non-EU European investors bought debt worth PLN1.3bn, Asia ex Middle East sold papers worth PLN1.2bn. As regards Polish investors, insurance companies sold papers for 1.2bn and "other entities" purchased PLN4.5bn. October saw a maturity of OK1018 worth almost PLN12bn, so changes in holdings may be due to decision not to roll over the debt ahead of the end of month. The Ministry announced that tomorrow it will repurchase USD-denominated bonds maturing in July 2019 worth up to USD300mn.

PMI vs output growth



Source: GUS, IHS Markit, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.2757	CZKPLN	0.1649
USDPLN	3.7565	HUFPLN*	1.3260
EURUSD	1.1382	RUBPLN	0.0565
CHFPLN	3.7719	NOKPLN	0.4419
GBPPLN	4.7847	DKKPLN	0.5730
USDCNY	6.8429	SEKPLN	0.4181

*for 100HUF

Last session in the FX market 03/12/2018

	min	max	open	close	fixing
EURPLN	4.275	4.302	4.291	4.277	4.2818
USDPLN	3.762	3.786	3.783	3.767	3.7672
EURUSD	1.132	1.138	1.133	1.135	-

Interest rate market 03/12/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.53	1	15 lis 18	OK0521	1.784
PS0424 (5L)	2.47	1	15 lis 18	PS0424	2.626
WS0428 (10L)	3.03	-1	15 lis 18	WS0428	3.226

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.77	0	2.93	2	-0.24	0
2L	1.88	0	3.00	1	-0.15	0
3L	2.02	1	3.00	1	-0.02	0
4L	2.16	2	2.99	0	0.13	0
5L	2.28	2	2.98	0	0.27	0
8L	2.54	3	3.01	-1	0.66	0
10L	2.67	4	3.05	-1	0.88	0

WIBOR rates

Term	%	Change (bps)
O/N	1.54	1
T/N	1.55	0
SW	1.55	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	1.72	0
3x6	1.74	0
6x9	1.76	0
9x12	1.79	0
3x9	1.81	1
6x12	1.82	1

Measures of fiscal risk

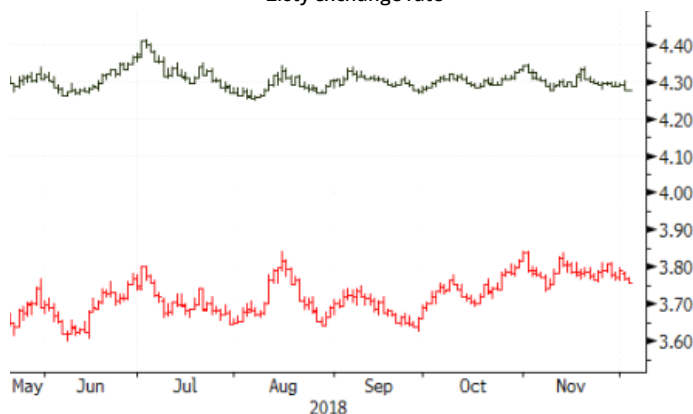
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.73 0
France	25 1	0.40 1
Hungary	116 1	2.88 5
Spain	65 4	1.20 1
Italy	221 8	2.85 1
Portugal	64 0	1.50 1
Ireland	25 0	0.61 1
Germany	11 0	- -

* 10Y treasury bonds over 10Y Bunds

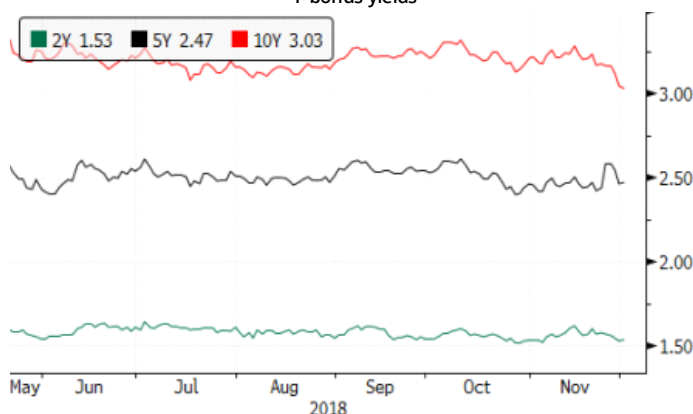
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

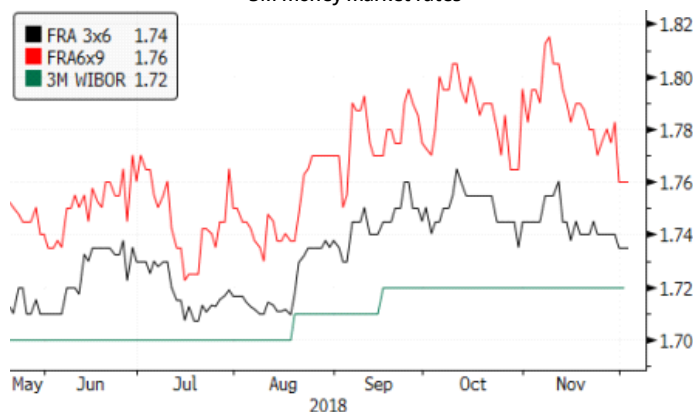
Zloty exchange rate



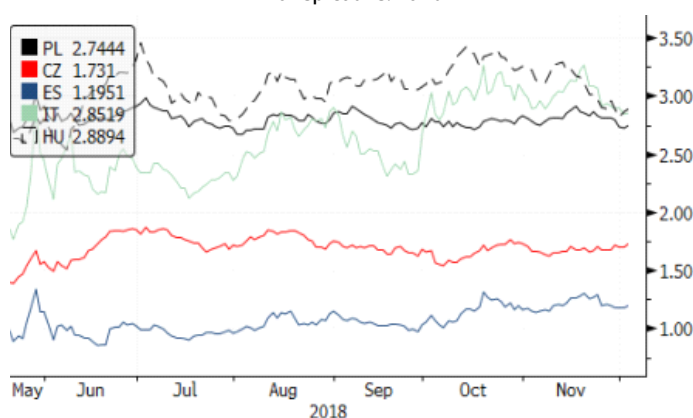
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (30 November)								
08:00	DE	Retail Sales	Oct	% m/m	0.4	-	-0.3	-0.3
09:00	CZ	GDP SA	3Q	% y/y	2.3	-	2.4	2.3
10:00	PL	Flash CPI	Nov	% y/y	1.6	1.5	1.2	1.8
10:00	PL	GDP	3Q	% y/y	-	5.1	5.1	5.1
11:00	EZ	Flash HICP	Nov	% y/y	2.0	-	2.0	2.2
11:00	EZ	Unemployment Rate	Oct	%	8.0	-	8.1	8.1
MONDAY (3 December)								
09:00	PL	Poland Manufacturing PMI	Nov	pts	50.4	51.1	49.5	50.4
09:55	DE	Germany Manufacturing PMI	Nov	pts	51.6	-		51.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	51.5	-		51.5
16:00	US	ISM manufacturing	Nov	pts	58.0	-		57.7
TUESDAY (4 December)								
No important events								
WEDNESDAY (5 December)								
	PL	MPC decision		%	1.50	1.50		1.50
02:45	CN	Caixin China PMI Services	Nov	pts	50.9	-		50.8
09:00	HU	GDP	3Q	% y/y	4.8	-		4.8
09:55	DE	Markit Germany Services PMI	Nov	pts	53.5	-		53.3
10:00	EZ	Eurozone Services PMI	Nov	pts	53.1	-		53.1
11:00	EZ	Retail Sales	Oct	% m/m	0.2	-		0.0
14:15	US	ADP report	Nov	k	200	-		227
16:00	US	ISM services	Nov	pts	59.5	-		60.3
THURSDAY (6 December)								
08:00	DE	Factory Orders	Oct	% m/m	-0.6	-		0.3
09:00	HU	Industrial Production SA	Oct	% y/y	2.3	-		2.2
14:30	US	Initial Jobless Claims	week	k	220	-		224
16:00	US	Durable Goods Orders	Oct	% m/m	-	-		-4.4
16:00	US	Factory Orders	Oct	% m/m	-2.0	-		0.7
FRIDAY (7 December)								
08:00	DE	Industrial Production SA	Oct	% m/m	0.3	-		0.2
09:00	CZ	Industrial Production	Oct	% y/y	5.4	-		-0.9
11:00	EZ	GDP SA	3Q	% y/y	1.7	-		1.7
14:30	US	Change in Nonfarm Payrolls	Nov	k	205	-		250
14:30	US	Unemployment Rate	Nov	%	3.7	-		3.7
16:00	US	Michigan index	Dec	pts	97.0	-		97.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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