

10 December 2018

Eyeopener

German export higher than expected

European data weighed on zloty on Friday
Domestic yields rebounded after earlier decline
Weaker US data negative for dollar and positive for core debt
German export data today

Friday saw a rebound after strong risk aversion increase in previous days. Stock indices in Europe went up during the day, putting a pressure on European bond markets. However, the opening of stock markets in USA reversed the trend and Bund yields returned to the morning level, pushing also Treasuries' yields down. The movements were supported by weaker data about the US non-farm payrolls in November and growing concerns that tensions between China and USA will lead to the slowdown of the global economic growth.

EURUSD was climbing for the better part of Friday's session and reached 1.1400 at the end of the day. The dollar was undermined by weaker-than-expected non-farm payrolls. Additionally, the dollar suffered blows from the US stock indices, which were going down, contrary to their European peers. Even worse data from the euro zone failed to support the greenback. Today, we expect the start of the session to be EUR-positive given strong data on German exports, but further in the day some profit-taking may occur, especially given tension prior to tomorrow's Brexit vote in the United Kingdom.

On Friday, **EURPLN** was going up since the start of the day, reaching 4.29. The zloty weakened due to disappointing data on euro zone GDP and German industrial output. Today, the zloty started the session with strengthening, supported by stronger euro and better German exports data. The further zloty appreciation may be stopped by the pre-Brexit vote uncertainty.

The **other CEE currencies** gained on Friday amid better market mood and the dollar depreciation after the US data. EURHUF was oscillating around 323, while EURCZK fell to 25.85 from 25.89 after the better than expected Czech October industrial output data. USDRUB fell sharply to 66.5 from 67 after OPEC announced it reached an agreement with its partners to cut oil output.

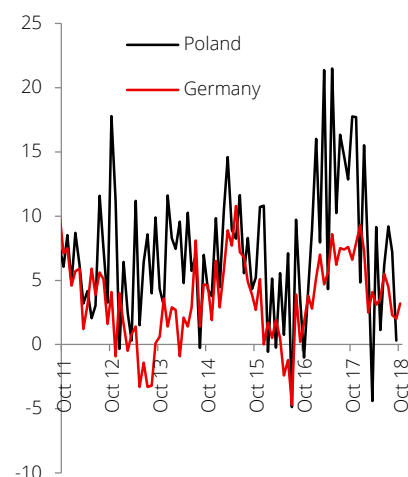
The **domestic debt** yields were rising by c3bp in the 5-10Y segment and 1bp on the short end, neutralising Thursday's falls. The IRS rates rose also, however in the smaller scale. The US curve decreased while the German yields returned to the morning levels, after the initial upward shift. Today we expect some downward pressure in the 5-10Y segment and gradual increases of the short end.

The coming week will be dominated by the two issues: Brexit (the UK parliament is to vote the Withdrawal Agreement on Tuesday) and the ECB meeting (decision on Thursday).

In Poland, on Friday we will see final November CPI and October trade balance. Flash CPI surprised to the downside (1.2% y/y). We estimate that core inflation had to decline as well. In general, the macro environment continues to support a rebound of core CPI next year, but the ongoing pull-back of global oil and food prices suggests there is still room for shrinkage of the non-core part of CPI in the months to come (its contribution was 1.6pp mid-year, down to c0.8pp in November).

October was a month of noticeable rebound in industrial output so we expect the C/A data to show a much higher trade turnover, with trade deficit shrinking to less than €0.4bn. Exports y/y growth could beat the year-to-date average while imports growth might return above 10% y/y.

Exports, %y/y



Source: NBP, Bloomberg, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.2892	CZKPLN	0.1657
USDPLN	3.7535	HUFPLN*	1.3274
EURUSD	1.1427	RUBPLN	0.0567
CHFPLN	3.7964	NOKPLN	0.4436
GBPPLN	4.7761	DKKPLN	0.5746
USDCNY	6.9068	SEKPLN	0.4161

*for 100HUF

Last session in the FX market 07/12/2018

	min	max	open	close	fixing
EURPLN	4.278	4.294	4.279	4.291	4.2845
USDPLN	3.754	3.777	3.758	3.771	3.7694
EURUSD	1.136	1.142	1.139	1.138	-

Interest rate market 07/12/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.56	2	15 lis 18	OK0521	1.784
PS0424 (5L)	2.46	3	15 lis 18	PS0424	2.626
WS0428 (10L)	3.04	4	15 lis 18	WS0428	3.226

IRS on the interbank market**

RIS on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.75	0	2.87	-1	-0.23	0
2L	1.86	0	2.90	-1	-0.14	0
3L	1.98	1	2.87	-2	-0.01	0
4L	2.10	1	2.86	-2	0.13	0
5L	2.21	1	2.85	-1	0.27	0
8L	2.47	1	2.90	0	0.65	0
10L	2.60	1	2.94	1	0.85	1

WIBOR rates

Term	%	Change (bps)
O/N	1.54	19
T/N	1.54	2
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	1.73	0
6x9	1.75	0
9x12	1.77	0
3x9	1.80	0
6x12	1.82	0

Measures of fiscal risk

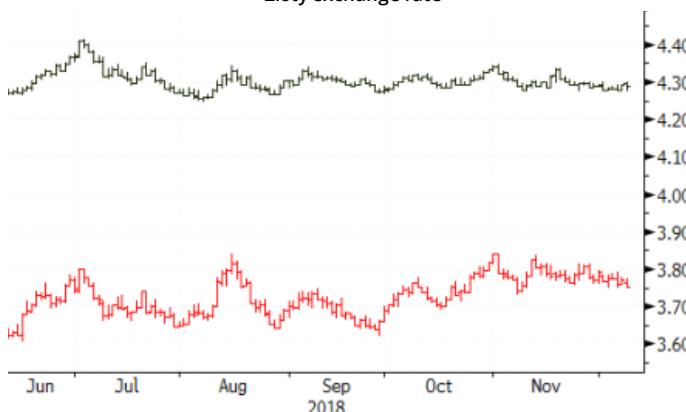
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.80 4
France	25 1	0.46 2
Hungary	116 1	2.90 0
Spain	65 4	1.21 1
Italy	221 8	2.93 5
Portugal	64 0	1.56 2
Ireland	25 0	0.67 2
Germany	11 0	- -

* 10Y treasury bonds over 10Y Bunds

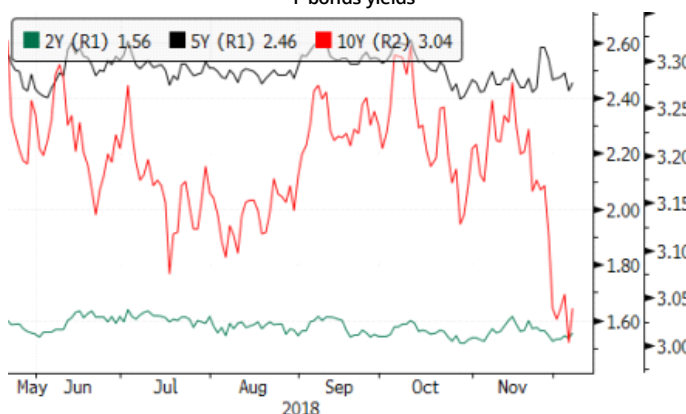
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

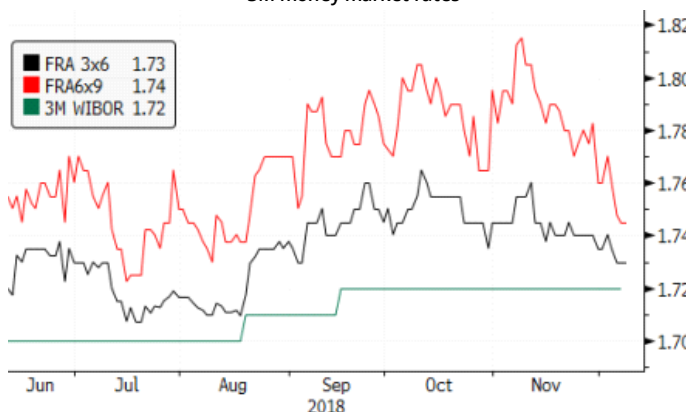
Zloty exchange rate



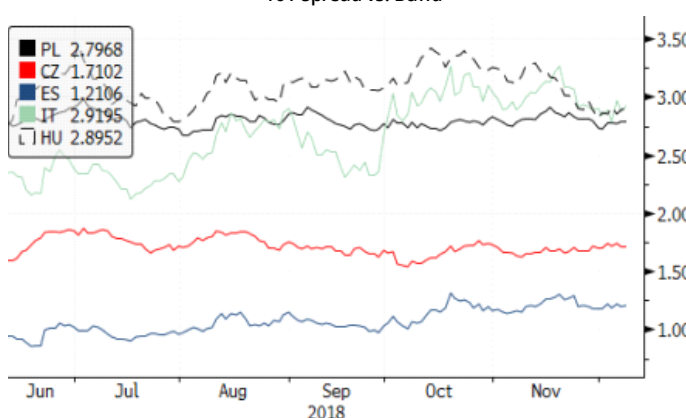
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (7 December)								
08:00	DE	Industrial Production SA	Oct	% m/m	0.3	-	-0.5	0.2
09:00	CZ	Industrial Production	Oct	% y/y	5.4	-	6.7	-0.9
11:00	EZ	GDP SA	3Q	% y/y	1.7	-	1.6	1.7
14:30	US	Change in Nonfarm Payrolls	Nov	k	198	-	155	250
14:30	US	Unemployment Rate	Nov	%	3.7	-	3.7	3.7
16:00	US	Michigan index	Dec	pts	-	-	97.5	97.5
MONDAY (10 December)								
08:00	DE	Exports SA	Oct	% m/m	0.4	-	0.7	-0.4
09:00	CZ	CPI	Nov	% y/y	2.0	-		2.2
TUESDAY (11 December)								
09:00	UK	Withdrawal Agreement vote						
	HU	CPI	Nov	% y/y	-	-		3.8
11:00	DE	ZEW Survey Current Situation	Dec	pts	-	-		58.2
WEDNESDAY (12 December)								
11:00	EZ	Industrial Production SA	Oct	% m/m	-	-		-0.3
14:30	US	CPI	Nov	% m/m	0.0	-		0.3
THURSDAY (13 December)								
08:00	DE	HICP	Nov	% m/m	0.1	-		0.1
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:30	US	Initial Jobless Claims	week	k	225	-		231
FRIDAY (14 December)								
09:30	DE	Germany Manufacturing PMI	Dec	pts	52.0	-		51.8
09:30	DE	Markit Germany Services PMI	Dec	pts	53.5	-		53.3
09:30	EZ	Eurozone Manufacturing PMI	Dec	pts	52.0	-		51.8
09:30	EZ	Eurozone Services PMI	Dec	pts	53.5	-		53.4
10:00	PL	CPI	Nov	% y/y	-	1.2		1.2
14:00	PL	Current Account Balance	Oct	€mn	-471	-559		-547
14:00	PL	Trade Balance	Oct	€mn	-	-334		-449
14:00	PL	Exports	Oct	€mn	18 723	19 530		17 683
14:00	PL	Imports	Oct	€mn	-	19 864		18 132
14:30	US	Retail Sales Advance	Nov	% m/m	0.2	-		0.8
15:15	US	Industrial Production	Nov	% m/m	-	-		0.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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