

11 December 2018

Eyeopener

Brexit vote postponed

Higher energy tariffs with probably no direct impact on inflation
Vote on Brexit deal deferred, pound weaker
Zloty and euro weaker, yields lower
Today, German ZEW and Hungarian inflation

Monday saw a publication of German export data, which surprised to the upside. The Ministry of Finance informed about lower public debt in 3Q18 and the Energy Ministry showed some details of planned compensations for higher energy prices. Moreover, the Sentix European sentiment index has been released, which surprised to the downside and slid to -0.3pts from +8.8pts on month ago. UK PM Theresa May informed that the Brexit deal vote was delayed given the risk that it will be rejected by the Parliament, and she announced further efforts to renegotiate the agreement. However, the EU representatives suggested that no major changes in the agreement are possible. Stock markets were going down, the zloty weakened, similarly as the euro and the pound.

The Ministry of Energy informed about refunds for higher energy prices next year. Households are to get (by default) a discount for electricity bills that can be later settled by electricity dealers through a special fund. Refunds for small and medium enterprises are to be paid at their request. The total cost of the programme next year is estimated at 4-5 billion zlotys, assuming G-tariff increase by approx. 25% vs 2018. The information released by the Ministry of Finance seems to confirm our predictions that the shape of refunds will make the direct impact of higher energy tariffs CPI-neutral.

The Ministry of Finance informed that public finance debt totalled PLN 977.95bn at the end of 3Q which means an increase by 1.7% vs 2017-end and a decrease by 0.7% q/q. At the same time, they informed that if they decide to issue external debt next year, they will prefer euro.

In 3Q vacancies kept growing at a high pace (c20% y/y). Employers failed to fill 21.5% of newly created jobs – this is the second highest share of the last decade (after 25.3% in 2Q18). The growth rate of new jobs was still limited (4.3% y/y), but at the same time the pace of job destruction accelerated visibly (to 30.2% y/y). This most likely means that the labour market remains very tight, judging e.g., by the historically high pool of unsatiated labour demand, and the wage pressure is pushing the labour force to jobs where it is more efficiently utilised.

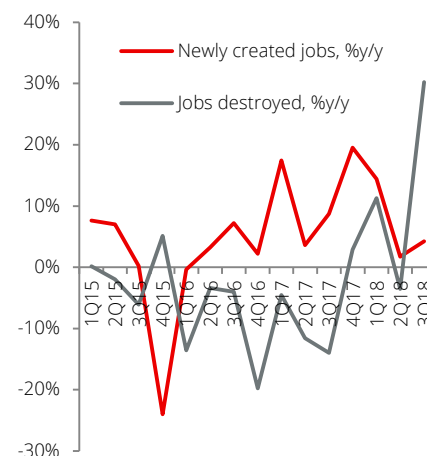
On Monday, **EURUSD** was under downward pressure of negative stock market sentiment, no prospects of UK Parliament's support for the Brexit deal, weak business sentiment in Europe and tensions in France. As a result, EURUSD fell to 1.1370 from 1.1440. Today we are expecting the stronger dollar to hold, supported by lower ZEW and geopolitical uncertainty.

EURPLN was on the rise for the better part of the Monday's session amid poor sentiment on the EM currency markets and stronger dollar. As a result, EURPLN climbed 4.296 from 4.291. Today we expect the exchange rate to stay fairly stable amid lack of important data releases and waiting for important events later in the week.

The **other CEE currencies** also depreciated amid falling stock indexes and strengthening dollar. EURCZK rose to 25.86 from 25.85 ignoring the Czech CPI falling to 2.0% y/y, its lowest for 7 months. EURHUF rose to 323.60 from 323.30 while USDRUB moved marginally to 65.70 from 65.60 due to stronger dollar and falling oil price.

On the **domestic debt market** yields decreased by 2-4bp (mostly on the long end of the curve), returning to the level from the end of Thursday. The domestic yields decreases were accompanied by small IRS rates decline, low volatility of UST and 10Y Bunds and increases of the front end of the German curve. Today we expect the downward pressure to be maintained, however the scale of yields' falls may be smaller than on Monday.

Labour market processes



Source: GUS, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.2934	CZKPLN	0.1660
USDPLN	3.7758	HUFPLN*	1.3279
EURUSD	1.1371	RUBPLN	0.0568
CHFPLN	3.8172	NOKPLN	0.4420
GBPPLN	4.7482	DKKPLN	0.5753
USDCNY	6.8938	SEKPLN	0.4160

*for 100HUF

Last session in the FX market 10/12/2018

	min	max	open	close	fixing
EURPLN	4.273	4.299	4.296	4.296	4.2911
USDPLN	3.747	3.782	3.764	3.781	3.76
EURUSD	1.136	1.144	1.140	1.136	-

Interest rate market 10/12/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.54	-2	15 lis 18	OK0521	1.784
PS0424 (5L)	2.43	-2	15 lis 18	PS0424	2.626
WS0428 (10L)	3.01	-3	15 lis 18	WS0428	3.226

IRS on the interbank market**

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.75	0	2.85	-3	-0.23	0
2L	1.86	0	2.85	-4	-0.14	0
3L	1.97	-1	2.82	-5	-0.01	0
4L	2.09	-1	2.81	-5	0.13	0
5L	2.20	-1	2.80	-5	0.27	0
8L	2.45	-1	2.85	-5	0.65	0
10L	2.58	-1	2.89	-5	0.86	1

WIBOR rates

Term	%	Change (bps)
O/N	1.40	-14
T/N	1.48	-6
SW	1.54	-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	1.72	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

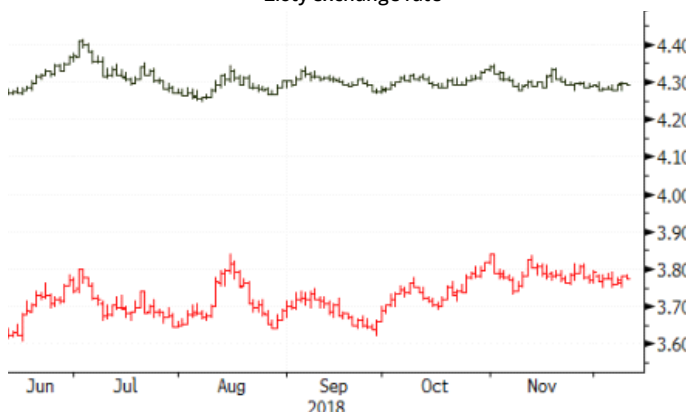
Measures of riskiness				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.75	-5
France	25	1	0.45	1
Hungary	116	1	2.89	-2
Spain	65	4	1.19	0
Italy	221	8	2.84	-2
Portugal	64	0	1.53	-1
Ireland	25	0	0.67	1
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

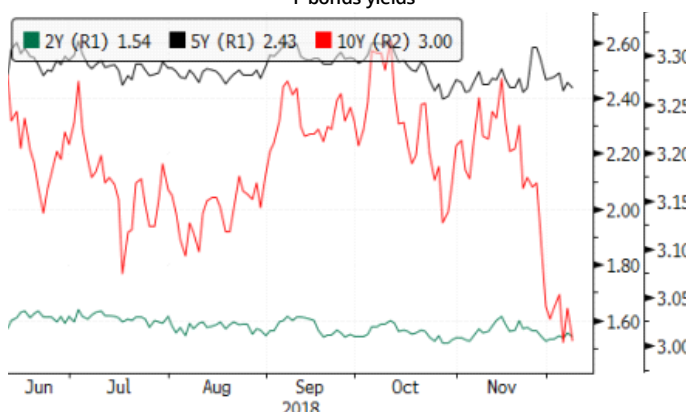
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

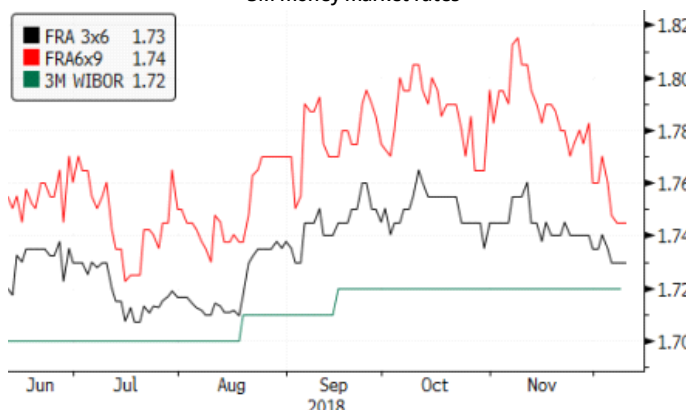
Zloty exchange rate



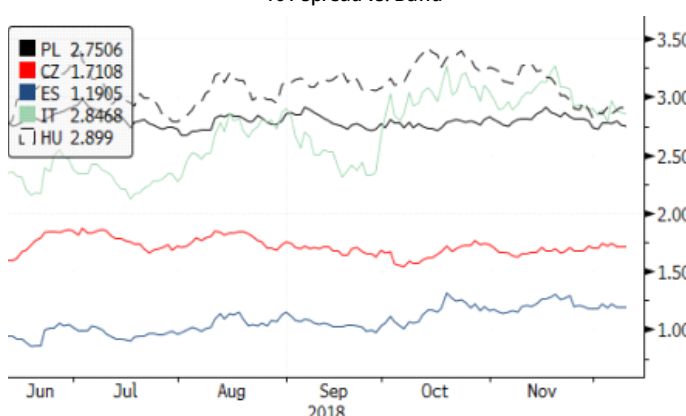
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic Calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
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	-	2.0	2.2
TUESDAY (11 December)								
09:00	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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