12 December 2018

Eyeopener

Strong trade data for January-October

- GUS reports a rebound in foreign trade for January-October
- Mixed ZEW data and stronger US PPI
- Zloty and euro weaker, 10Y yields go below 3%
- Today German industrial output and US CPI

On Tuesday, ZEW data was released in Germany, showing improved expectations of investors and further deterioration of the current situation assessment. November inflation readings from Hungary (3.1% y/y vs expectations of 3.3%) and Romania (3.4% y/y vs 3.7% expected) surprised to the downside. Meanwhile, PPI data for November were released in the USA. The reading at 0.1% m/m was received as pro-inflationary by the markets. In Poland, GUS (Central Statistical Office) data on foreign trade were published, showing solid increase in trade turnover in January-October period. Dollar strengthened in reaction to the US data, while the European figures had positive impact on domestic and German bonds, and negative impact on the zloty. Stock indices increased throughout the vast part of Tuesday. The Brexit future is still uncertain - Theresa May has been in talks with European leaders, hoping to change the "divorce" agreement. Meanwhile, there are reports in media about a motion of no confidence against the UK prime minister by her very own party (a vote will be held this evening).

GUS data on international trade for the first ten months of the year suggest a clear improvement of exports and imports in October (growth by c20% m/m). Our forecasts for NBP-provided exports and imports may be set too low (the market pays more attention to the trade data presented by the central bank). GUS is publishing the data on a year-to-date basis (a 10-month sum), so the surprisingly high result may actually come from upward revisions of Jan-Sep data rather than strong October.

The parliament is to discuss the 2019 budget draft in the coming days, however, according to PAP there will be no vote before the end of the year. The formal deadline for presenting an approved budget to the president for signature is 28 January. The next parliamentary sessions are planned for 16-18 January and 20-22 February. After approval of Sejm, the lower chamber, the draft goes to Senat and back to Sejm in case of corrections. The final phase of the preparation of 2019 budget may be under time pressure.

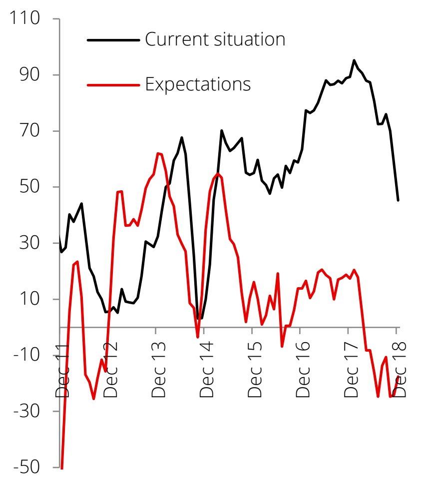
On Tuesday, **EURUSD** was rising in the morning trade. It was pushed up by stocks market gains and unexpectedly high reading of ZEW - expectations . However the higher than expected US PPI reading (released in the early afternoon) pushed the EURUSD down to 1.1320 from 1.1380. The European industrial production data for October (to be released at 11:00 CET) should not surprise to the upside, which may help to push the EURUSD down.

On Tuesday, EURPLN was on the rise for the better part of the day, despite a recovery on stock markets. The złoty suffered from further inflation data releases from the region for November (Hungary, Romania), surprising to the downside, which made investors think that the very low flash CPI from Poland has not happened 'by accident'. As a consequence EURPLN rose from 4.2940 to 4.3010. This morning the exchange rate was seen below 4.30 again, but we think further depreciation is more likely due to euro zone data, among others.

The **other CEE currencies** stabilized or gained marginally despite the below-consensus Hungarian and Romanian November inflation data. EURHUF fell to 323.5 from 323.6, EURCZK moved to 25.85 from 25.86. The ruble benefited from a rebound in oil prices (amid information about output cut in Libya and Russia) with USDRUB falling to 66.4 from 66.6.

On the **domestic debt** market yields of bonds decreased, having tried to erase Monday fall in the early morning. The domestic bonds followed the German peers. Moreover, Polish yields were pushed down by CEE inflation data (which also suddenly pushed down the Romanian yields). As a consequence the domestic curve was down by 2bp, while the IRS curve remained roughly stable. After the US market opening, yields of POLGB 10Y slid below 3.00% - last seen this April. Today we expect the Polish yield curve to go even lower, especially on the long end.

German ZEW indices



Source: Bmberg, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.2988	CZKPLN	0.1663
USDPLN	3.7960	HUFPLN*	1.3281
EURUSD	1.1325	RUBPLN	0.0571
CHFPLN	3.8211	NOKPLN	0.4429
GBPPLN	4.7482	DKKPLN	0.5759
USDCNY	6.8930	SEKPLN	0.4181

*for 100HUF

Last session in the FX market 11/12/2018

	min	max	open	close	fixing
EURPLN	4.292	4.303	4.296	4.301	4.2982
USDPLN	3.770	3.805	3.781	3.800	3.7763
EURUSD	1.131	1.140	1.136	1.132	-

Interest rate market 11/12/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.52	-2	29 lis 18	OK0521	1.721
PS0424 (5L)	2.42	-1	29 lis 18	PS0424	2.545
WS0428 (10L)	3.00	-1	29 lis 18	WS0428	3.132

IRS on the interbank market**

Term	PL %	PL Change (bps)	US %	US Change (bps)	EZ %	EZ Change (bps)
1L	1.75	0	2.86	1	-0.23	0
2L	1.85	0	2.88	2	-0.14	0
3L	1.96	-1	2.84	3	-0.02	0
4L	2.09	0	2.83	2	0.12	0
5L	2.20	0	2.82	2	0.27	0
8L	2.45	0	2.85	1	0.65	0
10L	2.58	0	2.89	0	0.86	0

WIBOR rates

Term	%	Change (bps)
O/N	1.47	7
T/N	1.48	0
SW	1.54	0
2W	1.58	-1
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

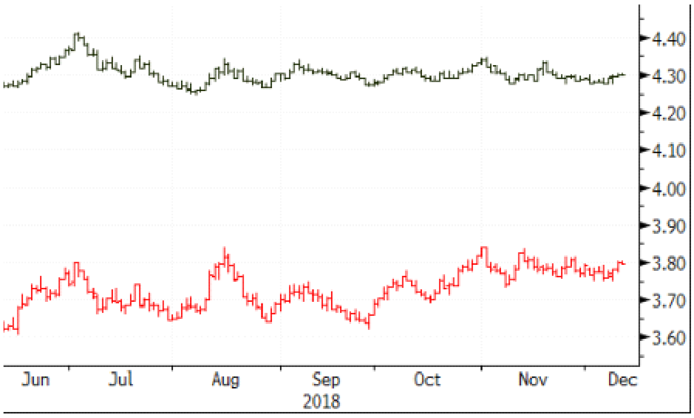
Country	CDS 5Y USD Level	CDS 5Y USD Change (bps)	10Y spread* Level	10Y spread* Change (bps)
Poland			2.75	-2
France	25	1	0.48	0
Hungary	116	1	2.91	-1
Spain	65	4	1.19	-2
Italy	221	8	2.88	0
Portugal	64	0	1.50	-2
Ireland	25	0	0.67	0
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

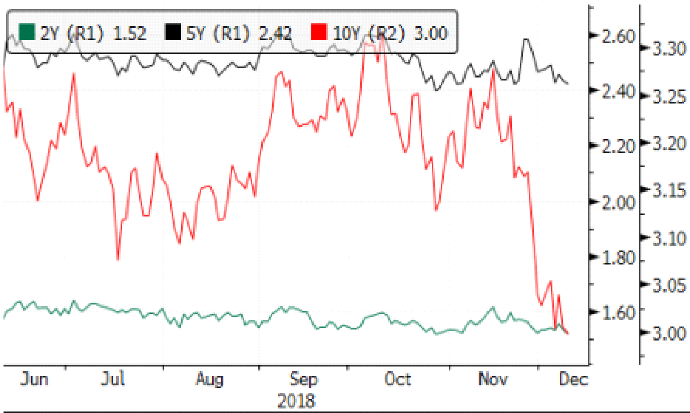
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

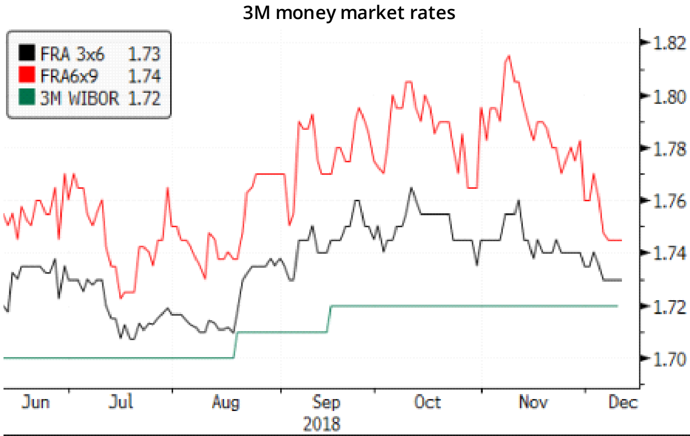
Zloty exchange rate



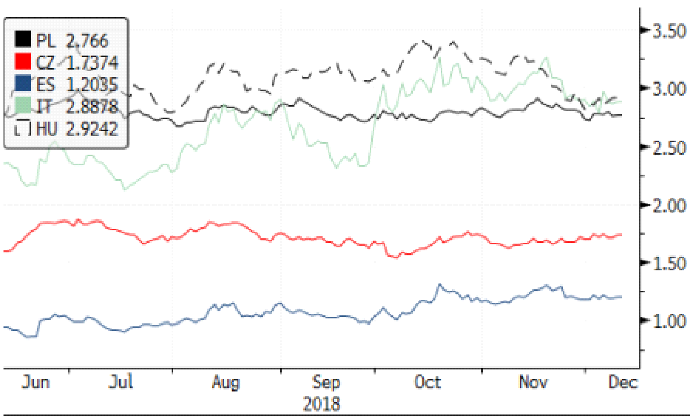
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST 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	-	2.0	2.2
			TUESDAY (11 December)					
09:00	HU	CPI	Nov	% y/y	-	-	3.1	3.8
11:00	DE	ZEW Survey Current Situation	Dec	pts	55	-	45.3	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*