

18 December 2018

# Eyeopener

## Core CPI and HICP down in November

Poland core CPI and HICP fall

Zloty gains, dollar pressured by Donald Trump tweet

Foreign yields down, Polish debt stabilizes

Today Poland labour market data and German Ifo index

On Monday, HICP data from euro zone was released, showing a decline to 1.9% y/y. Meanwhile in USA, NAHB for the real estate sector fell to 56pts from 60pts – its lowest since spring 2015, while Empire Manufacturing went down to 10.9pts from 23.3pts. Two days before the FOMC meeting the US President Donald Trump suggested in his tweet that there was no space for any interest rate hikes. The UK Prime Minister said that the debate on the negotiated Brexit conditions will be continued at the beginning of 2019 and the voting on the Brexit agreement will take place in the second half of January. Polish core inflation and HICP inflation fell. Stock and oil prices were falling. Core market yields dropped (in Poland, in 2L segment only) and dollar was losing, while zloty gained.

**HICP inflation for Poland** eased in November to 1.1% y/y from 1.5% in October. Detailed changes are very similar to November CPI – lower growth rate of food prices, fuels and some core categories, especially leisure services. Core HICP fell to 0.4% y/y from 0.6%.

**The main measure of core CPI inflation for Poland** decreased to 0.7% y/y from 0.9%, mostly due to lower prices of telecommunication and leisure-related services. In our view core inflation in 2019 will switch to strong upward trend, which will get it to c2.5% at the end of the year.

**EURUSD** was on the rise for the whole Monday, from 1.131 to 1.135, due to weak US data and US president's tweet. The rise of the exchange rate was not disturbed by lower than expected November HICP inflation reading in the euro zone. Today we expect the rise of EURUSD to continue but to a limited degree, as the markets await tomorrow's FOMC decision.

**On Monday EURPLN** fell from 4.291 to 4.28, fuelled by weakening dollar and despite downward trends observed on global stock exchanges. We project that EURUSD will hold yesterday's rise which should positively impact zloty during today's session. We see a potential for EURPLN falling close to 4.26 this week (a lower-end of consolidation in which it has remained since August).

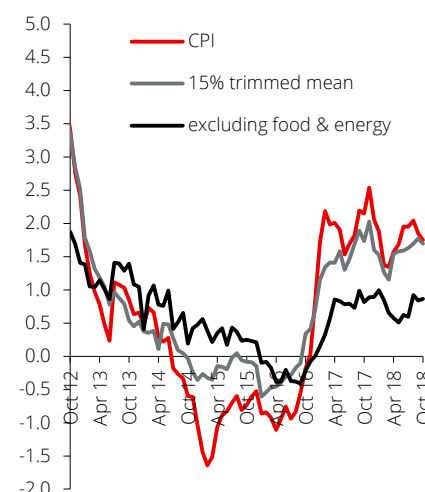
**As regards other CEE currencies**, EURCZK went down to 25.77 from 25.80 thanks to positive data on faster-than-expected PPI inflation in the Czech Republic. EURHUF fell to 323.10 from 323.50 awaiting today's central bank meeting. USDRUB climbed to 66.80 from 66.60 in reaction to information on a possible reduction of Russia sovereign rating outlook by the Fitch agency should US sanctions on purchases of Russian debt securities be prolonged. Additionally, the ruble was undermined by lower oil prices and weaker reading of industrial output.

**On the domestic debt market** yields decreased by 2bp in 2Y segment (to the level last seen in January 2016) and stayed stable in 5-10Y segment (despite the some attempts to rise). Those changes were accompanied by slight IRS rates increases, which led to the ASW spread compression. The domestic yields stabilized despite the decreases of US and German (in the smaller scale) yields of bonds.

**Minister of Finance Teresa Czerwińska** said today morning that in the Jan-Nov the central budget showed surplus, a higher than registered in Jan-October (+PLN6.5bn).

**Today at 10:00CET** statistical Office will release the employment and wages data for November. Our employment forecast is close to the market consensus, while the wages estimates is slightly below the market expectations. In general, we expect this week's data to show that the labour market improvement seems to be losing steam.

Inflation measures, % y/y



Source: GUS, NBP, Santander Bank Polska

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: skarb.santander.pl  
 Piotr Bielski +48 22 534 18 87  
 Marcin Łuziński +48 22 534 18 85  
 Grzegorz Ogonek +48 22 534 19 23  
 Konrad Soszyński +48 22 534 18 86  
 Marcin Sulewski, CFA +48 22 534 18 84

## FX market

### Today's opening

EURPLN	4.2840	CZKPLN	0.1664
USDPLN	3.7761	HUFPLN*	1.3247
EURUSD	1.1345	RUBPLN	0.0565
CHFPLN	3.8030	NOKPLN	0.4360
GBPPLN	4.7693	DKKPLN	0.5737
USDCNY	6.9001	SEKPLN	0.4161

\*for 100HUF

### Last session in the FX market 17/12/2018

	min	max	open	close	fixing
EURPLN	4.279	4.304	4.296	4.282	4.2906
USDPLN	3.771	3.807	3.796	3.772	3.7871
EURUSD	1.130	1.136	1.131	1.135	-

## Interest rate market 17/12/2018

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.39	-1	29 lis 18	OK0521	1.721
PS0424 (5L)	2.36	1	29 lis 18	PS0424	2.545
WS0428 (10L)	2.92	0	29 lis 18	WS0428	3.132

### IRS on the interbank market\*\*

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.75	0	2.85	-2	-0.22	0
2L	1.85	1	2.86	-3	-0.14	0
3L	1.97	1	2.82	-3	-0.02	0
4L	2.11	0	2.81	-3	0.12	0
5L	2.23	1	2.81	-2	0.26	0
8L	2.47	1	2.85	-2	0.65	0
10L	2.60	1	2.90	-2	0.87	0

## WIBOR rates

Term	%	Change (bps)
O/N	1.28	-22
T/N	1.32	-19
SW	1.53	0
2W	1.58	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	1.78	0
3x9	1.80	0
6x12	1.81	0

## Measures of fiscal risk

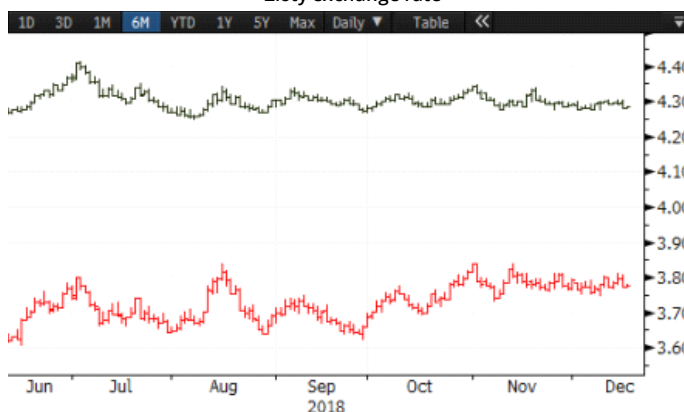
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.68 1
France	25 1	0.48 0
Hungary	116 1	3.03 1
Spain	65 4	1.16 1
Italy	221 8	2.72 2
Portugal	64 0	1.40 1
Ireland	25 0	0.70 0
Germany	11 0	- -

\* 10Y treasury bonds over 10Y Bunds

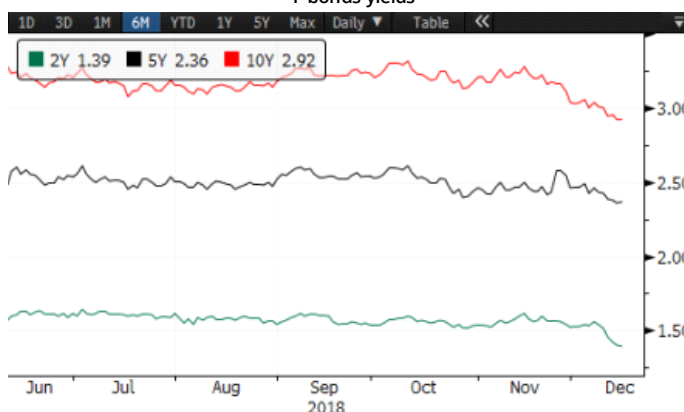
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

## Zloty exchange rate



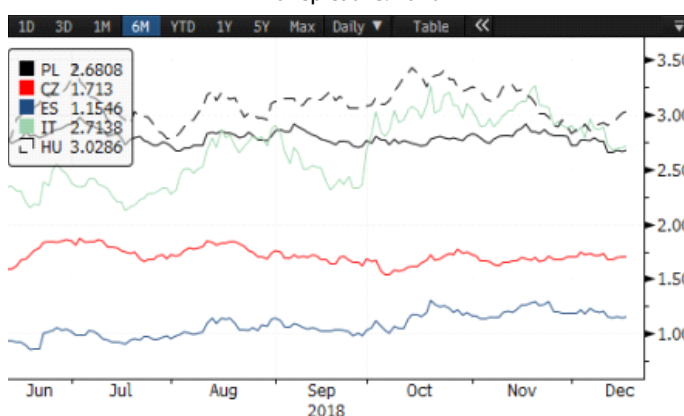
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (14 December)								
09:30	DE	Germany Manufacturing PMI	Dec	pts	51.65	-	51.5	51.8
09:30	DE	Markit Germany Services PMI	Dec	pts	53.5	-	52.5	53.3
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	51.8	-	51.4	51.8
10:00	EZ	Eurozone Services PMI	Dec	pts	53.4	-	51.4	53.4
10:00	PL	CPI	Nov	% y/y	-	1.2	1.3	1.2
14:00	PL	Current Account Balance	Oct	€mn	-471	-559.1	-457	-547
14:00	PL	Trade Balance	Oct	€mn	-341	-334	-588	-449
14:00	PL	Exports	Oct	€mn	19 281	19 530	20 143	17 683
14:00	PL	Imports	Oct	€mn	19 833	19 864	20 731	18 132
14:30	US	Retail Sales Advance	Nov	% m/m	0.1	-	0.2	0.8
15:15	US	Industrial Production	Nov	% m/m	0.3	-	0.6	0.1
MONDAY (17 December)								
11:00	EZ	HICP	Nov	% y/y	2.0	-	1.9	2.0
14:00	PL	CPI Core	Nov	% y/y	0.7	0.7	0.7	0.9
TUESDAY (18 December)								
	PL	Central Budget Cumul.	Nov	mn PLN	-	-		6476.31
10:00	DE	IFO Business Climate	Dec	pts	101.8	-		102.0
10:00	PL	Employment in corporate sector	Nov	% y/y	3.0	3.0		3.2
10:00	PL	Average Gross Wages	Nov	% y/y	7.15	7.0		7.6
14:00	HU	Central Bank Rate Decision		%	0.9	-		0.9
14:30	US	Housing Starts	Nov	% m/m	0.36	-		1.5
WEDNESDAY (19 December)								
10:00	PL	Sold Industrial Output	Nov	% y/y	4.6	3.3		7.4
10:00	PL	Construction Output	Nov	% y/y	18.4	10.8		22.4
10:00	PL	PPI	Nov	% y/y	3.2	2.8		3.2
16:00	US	Existing Home Sales	Nov	% m/m	-0.38	-		1.4
20:00	US	FOMC decision		%	2.5	-		2.25
THURSDAY (20 December)								
13:00	CZ	Central Bank Rate Decision		%	1.75	-		1.75
14:30	US	Initial Jobless Claims	week	k	226	-		206
14:30	US	Index Philly Fed	Dec	pts	15.0	-		12.9
FRIDAY (21 December)								
10:00	PL	Retail Sales Real	Nov	% y/y	6.8	6.8		7.8
10:00	PL	Unemployment Rate	Nov	%	5.8	5.7		5.7
14:30	US	Durable Goods Orders	Nov	% m/m	2.0	-		-4.3
14:30	US	GDP Annualized	3Q	% Q/Q	3.5	-		3.5
16:00	US	Michigan index	Dec	pts	97.5	-		97.5
16:00	US	Personal Spending	Nov	% m/m	0.3	-		0.6
16:00	US	Personal Income	Nov	% m/m	0.3	-		0.5
16:00	US	PCE Deflator SA	Nov	% m/m	0.0	-		0.2

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division. Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.