

3 January 2019

# Eyeopener

## Start of the year in weak sentiments

Risk aversion dominating at the start of the year  
Zloty under pressure of stronger dollar and weaker data from Poland  
Bond yields in Poland and abroad strongly down  
Today important data from USA

The first session in 2019 saw increased risk aversion resulting from concerns about the global economic growth, given the weak data from China and government shutdown in the USA. As a result, European stock indices fell which positively impacted bonds. During the last days of 2018 the dollar was losing to the euro impacted by receding expectations for Fed interest rate hikes, as a result of political crisis in USA, although yesterday the dollar gained thanks to the return to safe assets. The European data confirmed poor moods in the industrial sector at the end of the year, while the final PMI data for December were in line with initial projections.

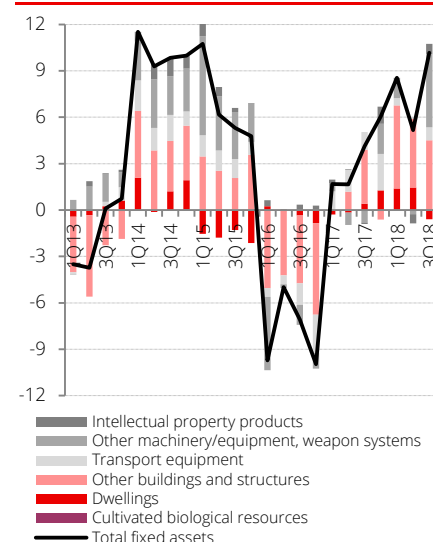
**Data on the investment breakdown** in 3Q18 showed a rebound in layouts on machinery and means of transport, which rose by 14.3% y/y – the fastest since the beginning of 2015. Investments in this category are strongly correlated with total enterprise investments, so the data suggest an improvement in investment activity in the private sector in 3Q18. Importantly, a similar conclusion could be drawn from data from large companies, with layouts growing c15% y/y in 3Q18. Investments in buildings rose 7.5% y/y (of which housing investments fell 4.1% y/y while other buildings rose 11.8% y/y with the latter category being connected mostly to public investments). We think that this year investments will be quite strong, mainly because high expenditures from EU programs. At the same time the outlook for private investments could worsen, so public institutions will remain the largest driver of investment growth in the Polish economy.

**EURUSD** fell yesterday to 1.135 from 1.15 neutralising the whole rise recorded in the final week of 2018. The exchange rate did not manage to break through the November peak at c1.15 and plummeted to 1.13 at night. Important US data are on the agenda today – the ADP job report and manufacturing ISM. The market is not pricing any Fed rate hike this year and should the data surprise to the upside, this could be the yet another, next to the shaky global market mood, supportive factor for the dollar.

**EURPLN** rebounded yesterday to 4.30 from slightly below 4.29 and USDPLN to 3.78 from 3.73 under influence of deterioration of global moods and surprisingly low reading of Polish manufacturing PMI. Among CEE currencies the best performing one was Russian ruble, while Czech koruna and Hungarian forint were depreciating. Hungarian currency was not boosted by the rising PMI index (from 53.5 to 54.2), while the corresponding reading for Czechia has disappointed (49.7 vs. previous reading 51.8 and consensus 51.4). There has been very low volatility in the EURPLN market and we are cautious about the possibility of zloty strengthening in the near-term horizon.

**On the domestic debt market** yields and IRS decreased by 8-10bp in the belly and in the long end of the curve and by 2bp on the short end. As a result, yields of 5Y and 10Y papers landed at the level last seen in 3Q16 (at 2.19% and 2.74%, respectively). The strengthening of Polish bonds was a combined result of disappointing domestic December PMI-manufacturing reading and decreases of yields of core bonds (yesterday yields of 10Y Bund decreased by over 7bp). The core markets behaviour as well as latest domestic data release was helping Polish t-bonds. Today's session will likely be driven by US data releases. In our opinion the yields could move up if the data surprise on the upside.

Investments breakdown, % y/y



Source: Eurostat, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.2981	CZKPLN	0.1667
USDPLN	3.7798	HUFPLN*	1.3329
EURUSD	1.1371	RUBPLN	0.0545
CHFPLN	3.8333	NOKPLN	0.4329
GBPPLN	4.7450	DKKPLN	0.5756
USDCNY	6.8724	SEKPLN	0.4196

\*for 100HUF

### Last session in the FX market 02/01/2019

	min	max	open	close	fixing
EURPLN	4.284	4.305	4.299	4.293	4.3016
USDPLN	3.730	3.789	3.751	3.787	3.7619
EURUSD	1.133	1.150	1.146	1.134	-

## Interest rate market 02/01/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.35	2	14 gru 18	OK0521	1.625
PS0424 (5L)	2.19	-7	14 gru 18	PS0424	2.382
WS0428 (10L)	2.75	-6	14 gru 18	WS0428	2.931

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

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	-2	2.77	1	-0.23	0
2L	1.79	-3	2.68	2	-0.19	-1
3L	1.88	-4	2.61	2	-0.10	-3
4L	1.96	-6	2.58	1	0.01	-4
5L	2.05	-7	2.58	1	0.15	-5
8L	2.28	-9	2.64	-1	0.53	-6
10L	2.40	-9	2.70	-1	0.75	-6

## WIBOR rates

Term	%	Change (bps)
O/N	1.54	0
T/N	1.54	-1
SW	1.54	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	1.71	-2
6x9	1.72	-3
9x12	1.73	-3
3x9	1.77	-2
6x12	1.77	-3

## Measures of fiscal risk

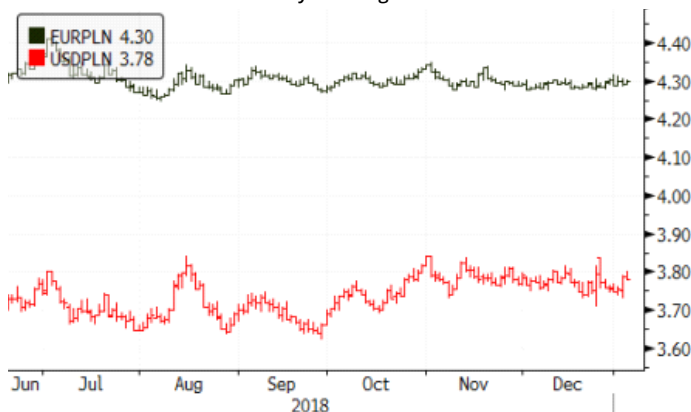
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.59 -5
France	25 1	0.49 1
Hungary	116 1	2.67 1
Spain	65 4	1.24 1
Italy	221 8	2.57 4
Portugal	64 0	1.55 1
Ireland	25 0	0.70 1
Germany	11 0	- -

\* 10Y treasury bonds over 10Y Bunds

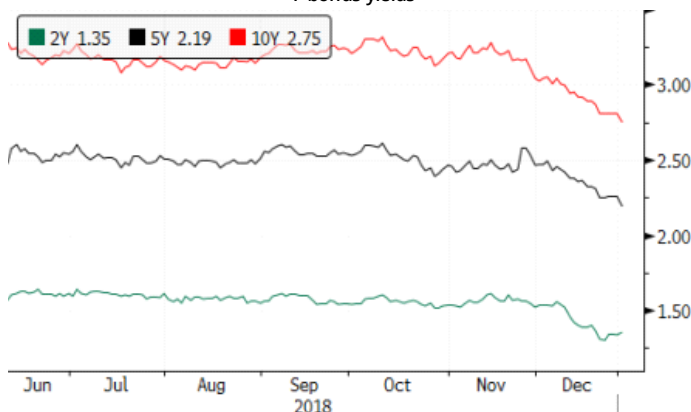
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

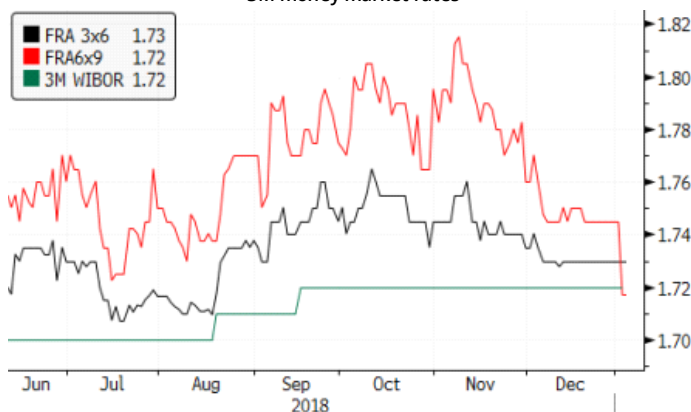
## Zloty exchange rate



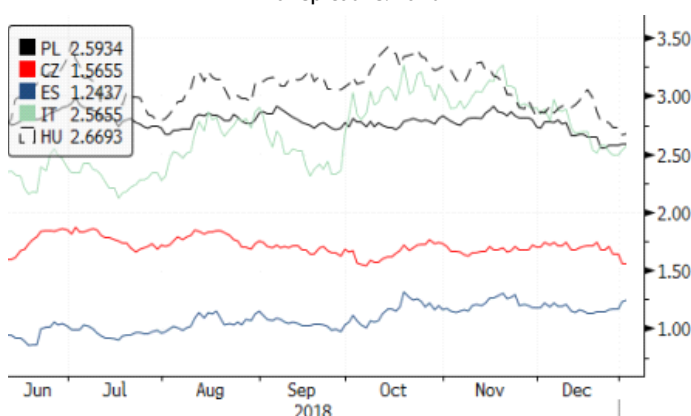
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (28 December)							
08:00	DE	HICP	% m/m	0.4	-	0.3	0.1
16:00	US	Pending Home Sales	% m/m	1.0	-	-0.7	-2.6
MONDAY (31 December)							
02:00	CH	Government PMI	Dec pts	50.0	-	49.4	50.0
WEDNESDAY (2 January)							
02:45	CH	Markit PMI	DEC pts	50.2	-	49.7	50.0
09:00	PL	Poland Manufacturing PMI	Dec pts	49.8	50.5	47.6	49.5
09:55	DE	Germany Manufacturing PMI	Dec pts	51.5	-	51.5	51.8
10:00	EZ	Eurozone Manufacturing PMI	Dec pts	51.4	-	51.4	51.8
THURSDAY (3 January)							
14:15	US	ADP report	Dec k	180	-		179
14:30	US	Initial Jobless Claims	week k	220	-		216
16:00	US	ISM manufacturing	Dec pts	57.6	-		59.3
FRIDAY (4 January)							
02:45	CN	Caixin China PMI Services	Dec pts	53.0	-		53.8
09:55	DE	Markit Germany Services PMI	Dec pts	52.5	-		52.5
10:00	EZ	Eurozone Services PMI	Dec pts	51.4	-		51.4
10:00	PL	Flash CPI	Dec % y/y	1.1	1.0		1.3
11:00	EZ	Flash HICP	Dec % y/y	1.8	-		2.0
14:30	US	Change in Nonfarm Payrolls	Dec k	180.0	-		155.0
14:30	US	Unemployment Rate	Dec %	3.7	-		3.7

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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