

8 January 2019

Eyeopener

Poor data dominate the calendar

Mixed data from Europe, US services ISM below forecasts
Zloty depreciates vs the euro despite higher EURUSD
Polish and global yields fairly stable
Today: German, Czech and Hungarian output data

Monday has not brought any major changes on the domestic financial market. Bonds and the zloty remained near the Friday's closing levels. Yields on the core markets held stable as stock indexes rebounded slightly, EURUSD rose and crude oil prices increased. Investors have not reacted to the mixed data from Germany (worse industrial orders and better retail sales), while the euro strengthened after weaker-than-expected services ISM reading in the USA. Future US government funding remains unclear, whereas the reports from China-USA trade talks have been optimistic.

EURUSD rose yesterday from 1.14 to 1.147 after the news about progress in US-China trade talks and further market response to the weekend remarks by Jerome Powell about threats to economic growth coming from financial market tensions. A positive background for the dollar was also created by no compromise about the spending bill for the US government and weaker-than-expected services ISM index. Today we expect a correction of the yesterday rise of EURUSD in reaction to the German output data released this morning.

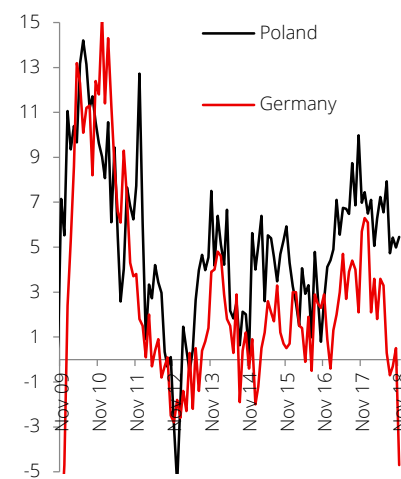
On Monday, **EURPLN** rose from 4.291 to 4.296, despite the strengthening of the euro vs the dollar and small increases of stock indices. Today we expect the zloty to weaken somewhat after the disappointing German data, which can provoke a decline of EURUSD. The scale of the potential depreciation should be limited by positive sentiment at the start of the European session.

In the case of other CEE currencies, EURHUF climbed slightly, like EURPLN, while EURCZK stayed stable. USDRBUB slid abruptly to 66.70 from 68, driven by rising oil prices.

On the domestic debt market yields fell in the morning to return to the opening level in the afternoon, following the core markets. Today, we expect the yields to move down in reaction to the weaker than expected German industrial production data.

Today the European Commission is due to release December ESI. Business climate indicators prepared by the GUS suggested improving sentiment in industry (contrary to PMI) and construction, high confidence in trade, accommodation and restaurants as well as some deterioration of moods in transport (which is still above 2009-2017 average). According to the GUS, December saw a deterioration of consumer sentiments and a jump of inflation expectations, which is likely to be reflected also by the ESI indicators.

Production: Germany vs. Poland, % y/y WDA



Source: Bloomberg, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.3013	CZKPLN	0.1682
USDPLN	3.7586	HUFPLN*	1.3376
EURUSD	1.1444	RUBPLN	0.0560
CHFPLN	3.8320	NOKPLN	0.4397
GBPPLN	4.8008	DKKPLN	0.5759
USDCNY	6.8606	SEKPLN	0.4214

*for 100HUF

Last session in the FX market 07/01/2019

	min	max	open	close	fixing
EURPLN	4.287	4.300	4.293	4.296	4.2989
USDPLN	3.744	3.769	3.764	3.746	3.7575
EURUSD	1.139	1.147	1.140	1.147	-

Interest rate market 07/01/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.43	0	14 gru 18	OK0521	1.625
PS0424 (5L)	2.26	0	14 gru 18	PS0424	2.382
WS0428 (10L)	2.80	0	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	1.74	0	2.75	0	-0.22	0
2L	1.82	0	2.66	1	-0.16	1
3L	1.89	0	2.60	2	-0.06	1
4L	1.99	-1	2.58	2	0.07	1
5L	2.10	-2	2.58	2	0.20	1
8L	2.32	-2	2.65	1	0.58	0
10L	2.45	-2	2.70	1	0.80	1

WIBOR rates

Term	%	Change (bps)
O/N	1.57	2
T/N	1.57	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	1.72	0
6x9	1.73	0
9x12	1.74	0
3x9	1.79	0
6x12	1.80	0

Measures of fiscal risk

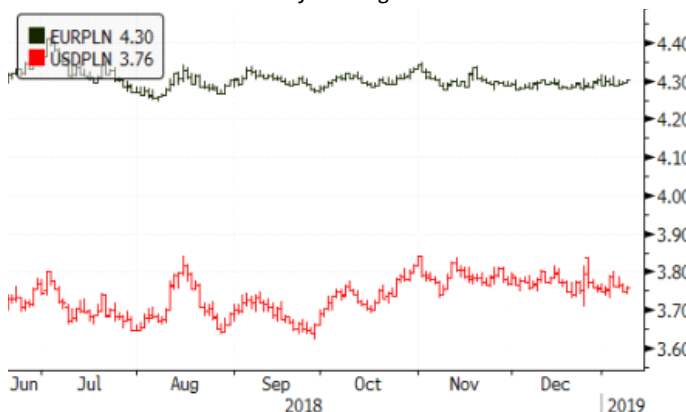
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.56 -2
France	25 1	0.51 0
Hungary	116 1	2.66 -2
Spain	65 4	1.28 0
Italy	221 8	2.68 0
Portugal	64 0	1.59 -1
Ireland	25 0	0.71 1
Germany	11 0	- -

* 10Y treasury bonds over 10Y Bunds

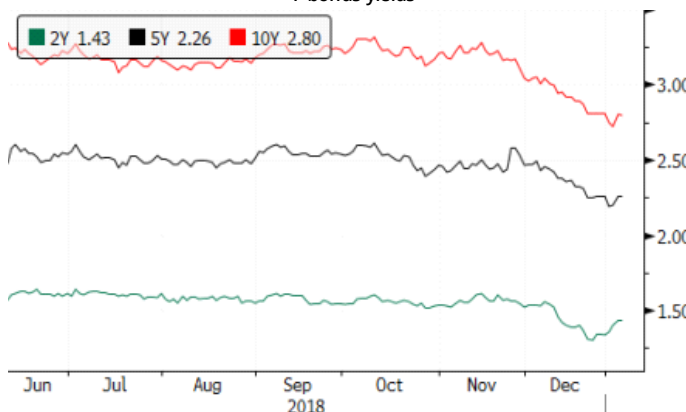
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

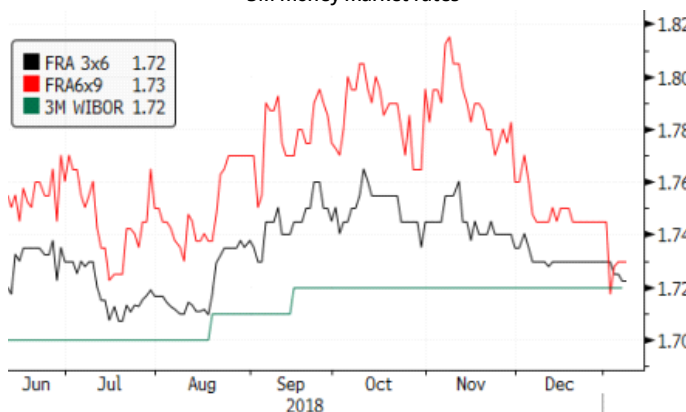
Zloty exchange rate



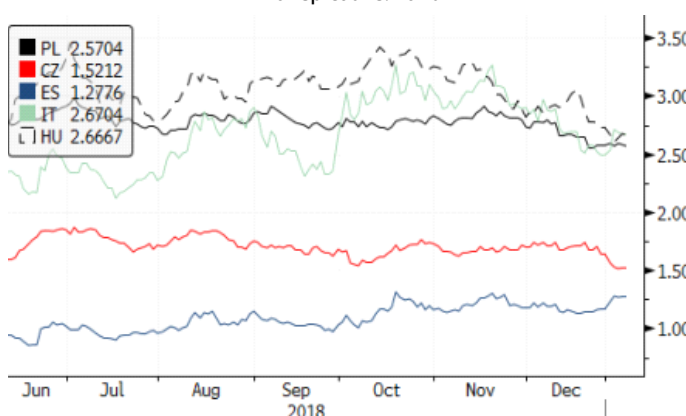
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (4 January)								
02:45	CN	Caixin China PMI Services	Dec	pts	53.0		53.9	53.8
09:55	DE	Markit Germany Services PMI	Dec	pts	52.5	-	51.8	52.5
10:00	EZ	Eurozone Services PMI	Dec	pts	51.4	-	51.2	51.4
10:00	PL	CPI	Dec	% y/y	1.1	1.0	1.1	1.3
11:00	EZ	Flash HICP	Dec	% y/y	1.7	-	1.6	2.0
14:30	US	Change in Nonfarm Payrolls	Dec	k	183	-	312	176
14:30	US	Unemployment Rate	Dec	%	3.7	-	3.9	3.7
MONDAY (7 January)								
08:00	DE	Retail Sales	Nov	% m/m	0.4	-	1.4	-0.3
08:00	DE	Factory Orders	Nov	% m/m	-0.2	-	-1.0	0.3
11:00	EZ	Retail Sales	Nov	% m/m	0.1	-	0.6	0.3
16:00	US	ISM services	Dec	pts	59.5	-	57.6	60.7
TUESDAY (8 January)								
08:00	DE	Industrial Production SA	Nov	% m/m	0.5	-	-1.9	-0.8
09:00	CZ	Industrial Production	Nov	% y/y	5.0	-	4.8	6.7
09:00	HU	Industrial Production SA	Nov	% y/y	0.0	-	3.5	3.3
11:00	EZ	ESI	Dec	pct.	108.0	-		109.5
WEDNESDAY (9 January)								
	PL	MPC decision		%	1.50	1.50		1.50
08:00	DE	Exports SA	Nov	% m/m	-0.1	-		0.9
11:00	EZ	Unemployment Rate	Nov	%	8.1	-		8.1
20:00	US	FOMC Meeting Minutes						
THURSDAY (10 January)								
09:00	CZ	CPI	Dec	% y/y	2.1	-		2.0
14:30	US	Initial Jobless Claims	week	k	220	-		231
FRIDAY (11 January)								
09:00	CZ	GDP SA	3Q	% y/y	2.4	-		2.4
14:30	US	CPI	Dec	% m/m	-0.1	-		0.0

Source: Santander Bank Polska, Bloomberg, Parkiet
* in case of the revision the data is updated

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