

14 January 2019

# Eyeopener

## Another good day for the debt

Dollar stronger after US inflation, unsettling weakness of China's trade data  
 Zloty gained on strong demand for domestic bonds  
 Bond yields on core markets and in Poland down together with equity indices  
 Today Polish C/A data and euro zone output

On Friday, the dollar returned to strengthening, as did govies on the core markets. These moves were fueled by a slight deterioration on stock markets and US inflation data (which showed some rise of inflation pressures in the services sector). On the domestic market, the zloty appreciated marginally (as well as other CEE currencies), while POLGBs followed the core market bonds. The Czech retail sales data (better than expected) did not affect the koruna, neither did dovish comments of a Czech MPC member. It looks that during the weekend there has been no breakthrough as regards UK parliament support for the Brexit deal and if the tomorrow's voting is lost, the risk for hard Brexit rises. Such scenario would be negative for the zloty, in our view. China trade data released today at night were much weaker than expected – exports contracted by 4.4% y/y in December after it decelerated to 4% y/y (in USD terms) from 10%+ observed for the better part of the previous year. Imports fell 7.6% y/y, the weakest result since two and a half years.

**EURUSD** was on the rise mildly until early afternoon when the US inflation was released. The data showed continuation of the services prices rise (despite lower energy prices) which pushed the exchange rate down to 1.147 from 1.154. Today, we think EURUSD will stay low amid expected poor euro zone industrial output data.

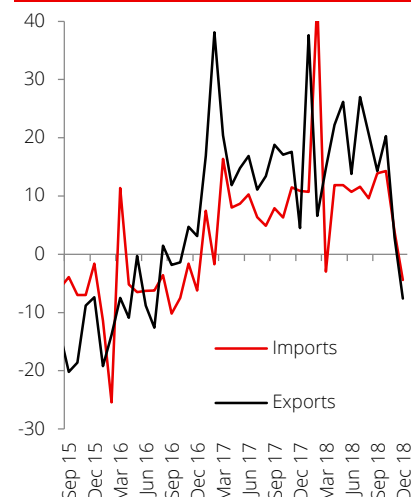
**EURPLN** fell to 4.293 from 4.296 driven by the rising demand for the Polish bonds and good sentiment in the CEE region. Today we expect EURPLN to stay stable early in the morning and rise later in the day if the euro zone industrial output data disappoint.

As regards **CEE currencies**, EURHUF fell to 321.20 from 321.30 after a temporary rise during the day. EURCZK was following a similar pattern and slid to 25.55 from 25.58. These changes were due to developments of EURCZK. Better-than-expected data on retail sales and in-line-with-consensus GDP data did not affect the koruna. USDRUB remained stable for the better part of the day. It stayed between 66.80 and 67.00, despite a decline in Brent prices by 2US\$/bbl.

On the **domestic interest rate market**, yields slid across the curve (by 4-6bps, mostly on the longer end), supported by weakening stock market and lower core market yields. IRS were following the same direction but a bit slower. Today, we are expecting this trend to hold given expectations for conclusions in the Brexit issue and expected weaker data from the European industry. Today's Chinese trade data supported lower yields.

**This week** we will see a trade balance data release (today), industrial production, construction, wages, employment and inflation. In our opinion the export for November rose by 3.6% y/y (if actual data come close to this forecast they should be treated as a neutral result, suggesting the pace of increase in economic activity has not changed much; our forecast is close to the consensus). The risks to this forecast remain balanced albeit there could be a sizeable deviation from the consensus. On the one hand the Germany industrial production data for November (-4.7 y/y) may suggest a fall of export, on the other hand the high level of ESI export orders for Poland in 2018, with a new record set in December, despite deteriorating sentiment in the euro zone, may suggest an upside risk. We estimated the industrial production growth for December at 5.0% y/y, construction 15.6% y/y, employment 2.8% y/y (i.e. less than 3% y/y for the first time in 2.5 years), while wages 7.0% y/y (in November 7.7% y/y owing to the earlier bonus payment in the mining sector).

China, international trade, in USD, %y/y



Source: Bloomberg, Santander

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## FX market

### Today's opening

EURPLN	4.2950	CZKPLN	0.1680
USDPLN	3.7408	HUFPLN*	1.3368
EURUSD	1.1482	RUBPLN	0.0557
CHFPLN	3.8060	NOKPLN	0.4375
GBPPLN	4.8048	DKKPLN	0.5755
USDCNY	6.7641	SEKPLN	0.4183

\*for 100HUF

### Last session in the FX market 11/01/2019

	min	max	open	close	fixing
EURPLN	4.291	4.300	4.293	4.294	4.2957
USDPLN	3.721	3.749	3.731	3.743	3.7289
EURUSD	1.146	1.154	1.151	1.147	-

## Interest rate market 11/01/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.32	0	10 sty 19	OK0521	1.547
PS0424 (5L)	2.18	-8	10 sty 19	PS0424	2.251
WS0428 (10L)	2.76	-8	10 sty 19	WS0428	2.821

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

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	-1	2.76	-2	-0.22	0
2L	1.77	-2	2.69	-3	-0.15	0
3L	1.85	-5	2.63	-3	-0.05	0
4L	1.94	-6	2.60	-3	0.07	0
5L	2.05	-7	2.60	-3	0.20	-1
8L	2.29	-6	2.66	-3	0.58	-1
10L	2.43	-4	2.71	-3	0.80	-1

## WIBOR rates

Term	%	Change (bps)
O/N	1.57	-1
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	1.72	0
9x12	1.71	-2
3x9	1.79	0
6x12	1.77	-1

## Measures of fiscal risk

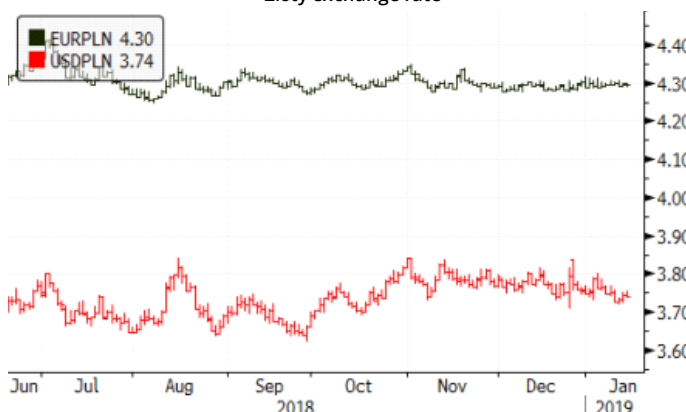
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.53	-6
France	25	1	0.43	0
Hungary	116	1	2.61	1
Spain	65	4	1.22	2
Italy	221	8	2.64	3
Portugal	64	0	1.48	1
Ireland	25	0	0.78	0
Germany	11	0	-	-

\* 10Y treasury bonds over 10Y Bunds

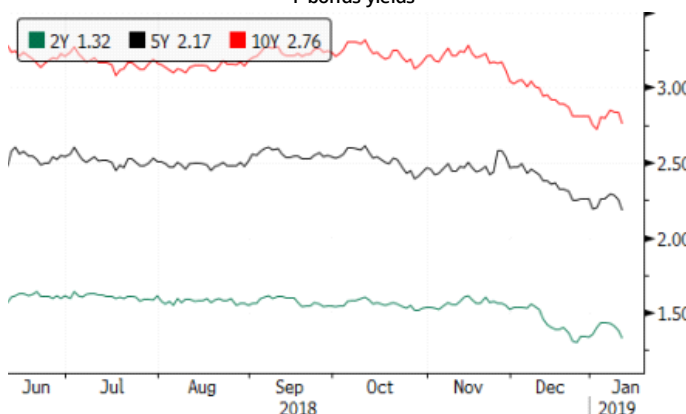
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

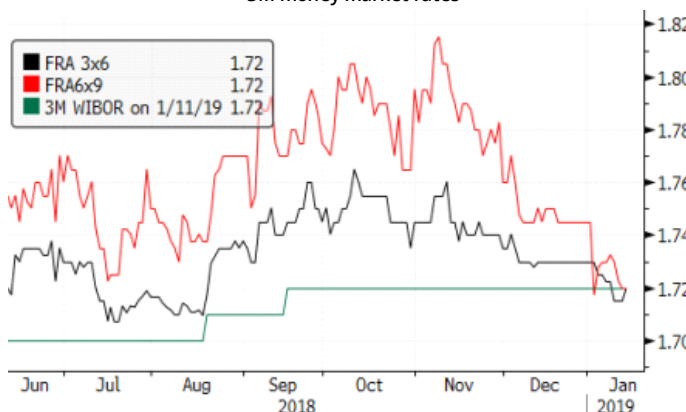
## Zloty exchange rate



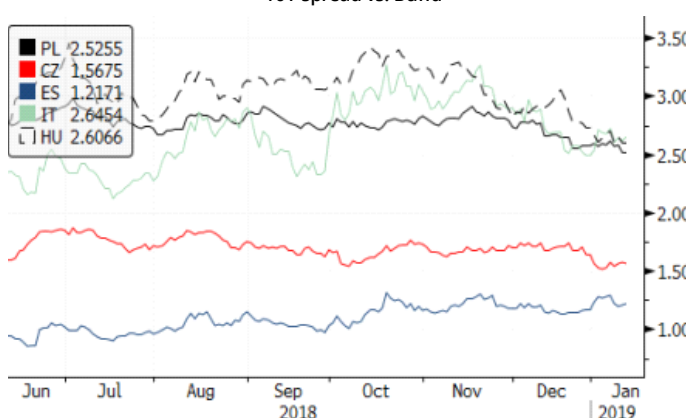
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (11 January)							
09:00	CZ	GDP SA	3Q	% y/y	2.4	2.4	2.4
14:30	US	CPI	Dec	% m/m	-0.1	-0.1	0.0
MONDAY (14 January)							
11:00	EZ	Industrial Production SA	Nov	% m/m	-1.2	-	0.2
14:00	PL	Current Account Balance	Nov	€mn	-482.0	-474	-457.0
14:00	PL	Trade Balance	Nov	€mn	-405.0	-313	-588.0
14:00	PL	Exports	Nov	€mn	19 354	19 373	20 143
14:00	PL	Imports	Nov	€mn	19 643	19 643	20 731
TUESDAY (15 January)							
09:00	HU	CPI	Dec	% y/y	2.8	-	3.1
10:00	PL	CPI	Dec	% y/y	-	1.1	1.3
WEDNESDAY (16 January)							
08:00	DE	HICP	Dec	% m/m	0.3	-	0.3
14:00	PL	CPI Core	Dec	% y/y	0.7	0.7	0.7
14:30	US	Retail Sales Advance	Dec	% m/m	0.25	-	0.2
THURSDAY (17 January)							
11:00	EZ	HICP	Dec	% y/y	1.6	-	1.6
14:30	US	Initial Jobless Claims	Jan-19	k	226.0	-	216.0
14:30	US	Housing Starts	Dec	% m/m	-0.24	-	3.2
14:30	US	Index Philly Fed	Jan		10.0	-	9.1
FRIDAY (18 January)							
10:00	PL	Employment in corporate sector	Dec	% y/y	2.8	2.8	3.0
10:00	PL	Sold Industrial Output	Dec	% y/y	5.0	5.0	4.7
10:00	PL	Construction Output	Dec	% y/y	15.4	15.6	17.1
10:00	PL	PPI	Dec	% y/y	2.6	2.6	2.7
10:00	PL	Average Gross Wages	Dec	% y/y	7.3	7.0	7.7
15:15	US	Industrial Production	Dec	% m/m	0.25	-	0.61
16:00	US	Michigan index	Jan	pts	96.4	-	98.3

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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