

15 January 2019

Eyeopener

Polish trade is not slowing down

Dollar stable despite weak euro zone and Chinese data
Zloty and domestic bonds gained on Polish international trade data
Polish trade resilient to signs of slowdown in euro zone industry and China
Today CPI data in Poland and Hungary

On Monday morning, markets were taken by surprise by weak data on China foreign trade volumes and then by weak data on euro zone industry. Today the Brexit vote will take place in the British Parliament. According to the British press, PM May was assured by Germany that a failed vote would be a trigger for further concessions of the EU. However, this was not confirmed in official statements of EU and European Commission representatives. In Poland, we saw current account and foreign trade statistics, which proved higher than expected. EURUSD remained fairly stable. Zloty and Polish bonds gained a bit thanks to positive Polish data and developments on the global FI and stock markets. Chinese officials' statements they plan intensified fiscal stimulus (deeper tax cuts for small companies and for the industry) were an antidote for worrying trade data, so markets start the day in sanguine moods.

C/A balance for November was at -€221m vs -€484m expected. Trade turnover proved much stronger than expected with exports up 7.1% y/y (instead of 3.6% we considered as a neutral result) and imports up 9.9% y/y (we expected 6.8% and consensus did not differ much). In nominal terms exports were some €650m above expectations and imports were €570m higher. There was also a significant upside revision of exports and imports for the previous month worth €350m for each, which pushed their already high October growth rates even higher (to 12.1% y/y from 10.2% in case of exports and to 17.5% y/y from 15.7% for imports, in both cases these were the strongest growth rates recorded since January, despite the growing fear of trade wars throughout 2018. The November deceleration in international trade was caused by trading day effect, and we see the result as very strong given the shape of German industry sector and the recent unsettling trade data from China. The 12M rolling sum of C/A balance to GDP moved from -0.6% to -0.7% in November and we expect the deficit to keep growing to c1.5% in late 2019. The strong trade data support our forecast of GDP growth staying near 5% y/y in 4Q, albeit this time probably below the level.

The **S&P agency** is expecting Poland's GDP growth at 3.4% in 2019, 3.0% in 2020-21. General government deficit forecasts are at 1.5% of GDP in 2019 and 2.0% of GDP in 2020-21. These forecasts are close to our expectations even though we are a bit more optimistic. Current Poland's rating in this agency is A- with stable outlook. The next rating revision is scheduled for 12 April.

At the beginning of the week, **EURUSD** was hovering around 1.1470, where it got on Friday owing to the US inflation data which showed inflation pressures in the services sector. On Monday EURUSD stayed stable despite the poor China trade data and slight deterioration on the stock markets. Today volatility on the EURUSD may be higher owing to Brexit vote in the British parliament.

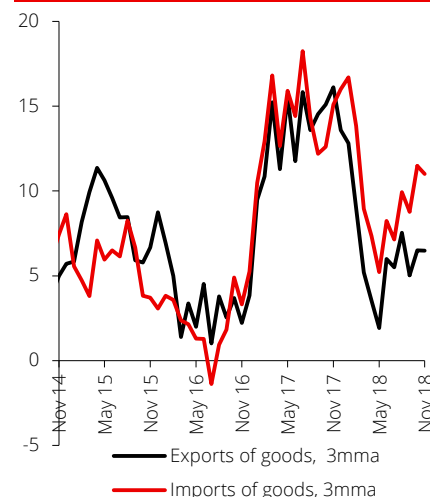
On Monday **EURPLN** strengthened. It marched to 4.2870 from 4.2950, supported by strong Polish trade (from GUS, in the morning) and current account (NBP data in the afternoon) data releases. In late afternoon the EURPLN rebounded marginally, fueled by falls on the US stock market. We believe that today zloty will be determined by the Brexit vote in the British parliament. In our opinion, if the failure of the Brexit vote open the way for the further EU concessions the zloty would rise. However in general we still treat the risk of the UK leaving the EU without a new agreement as a negative factor for the zloty.

In case of the **other CEE currencies**, EURHUF rose to 321.7 from 321.1 awaiting today's inflation data (low reading was expected, the outcome was a tad lower than consensus) and following falling yields. EURCZK was hovering in a narrow range around 25.55. The better than expected C/A data did not influence the koruna. USDRUB was on the rise in the morning amid lower oil price and information about lower exports of this commodity. In the afternoon the exchange rate rebounded back to 67.

On the **domestic interest rate market**, yields decreased across the curve (by 1-3bp, the most on the long end). In the morning, the Polish bonds were supported by euro core and euro periphery bonds, while in the afternoon POLGBs were fueled by falls on the US stock markets. Today we expect the yields to stay at the low level owing to gloomy mood.

Today at 10:00CET the stat office will release final December inflation. We do not expect any surprise vs flash estimate at 1.1% y/y. Forecasting CPI in early 2019 is burdened by an additional risk factor like the motion of the Energy Regulatory Office head to change the bill that freezes energy prices in 2019.

Foreign trade turnover, in EUR, % y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.2902	CZKPLN	0.1679
USDPLN	3.7398	HUFPLN*	1.3335
EURUSD	1.1472	RUBPLN	0.0557
CHFPLN	3.8105	NOKPLN	0.4381
GBPPLN	4.8185	DKKPLN	0.5748
USDCNY	6.7535	SEKPLN	0.4181

*for 100HUF

Last session in the FX market 14/01/2019

	min	max	open	close	fixing
EURPLN	4.288	4.299	4.297	4.291	4.2936
USDPLN	3.737	3.755	3.745	3.739	3.7458
EURUSD	1.144	1.148	1.146	1.148	-

Interest rate market 14/01/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.33	0	10 sty 19	OK0521	1.547
PS0424 (5L)	2.14	-4	10 sty 19	PS0424	2.251
WS0428 (10L)	2.72	-4	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	1.71	-2	2.77	0	-0.23	0
2L	1.72	-6	2.70	1	-0.17	-2
3L	1.78	-7	2.64	1	-0.07	-2
4L	1.87	-7	2.61	1	0.06	-2
5L	1.98	-7	2.62	1	0.19	-1
8L	2.22	-7	2.68	1	0.57	-1
10L	2.37	-7	2.73	2	0.79	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.55	-2
T/N	1.55	-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	1.71	-1
6x9	1.69	-3
9x12	1.65	-6
3x9	1.78	-1
6x12	1.74	-3

Measures of fiscal risk

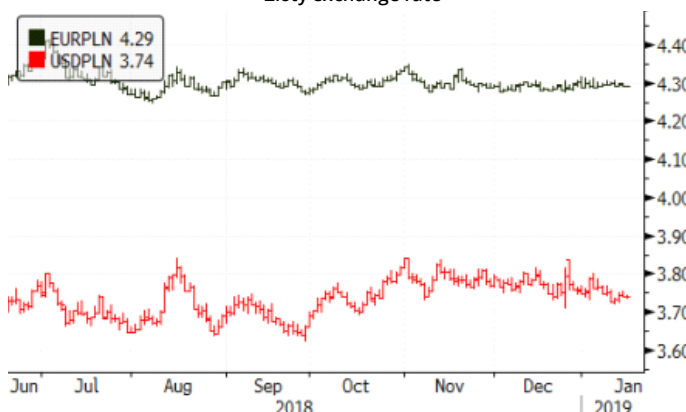
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.50	-3
France	25	1	0.41	0
Hungary	116	1	2.51	0
Spain	65	4	1.19	0
Italy	221	8	2.62	0
Portugal	64	0	1.45	0
Ireland	25	0	0.75	0
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

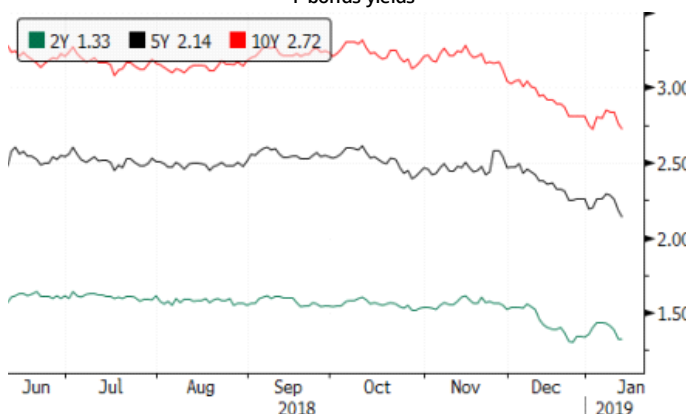
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

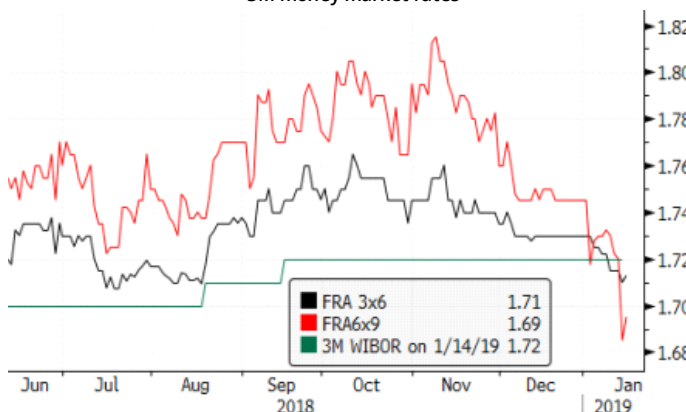
Zloty exchange rate



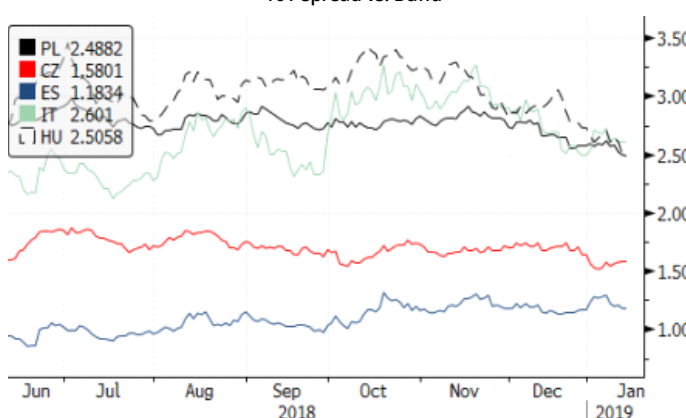
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar							
TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
CET				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	-1.5	-1.7	0.1
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	20 025
14:00	PL	Imports	Nov	€mn	19 643	19 643	20 254
TUESDAY (15 January)							
09:00	HU	CPI	Dec	% y/y	2.8	2.7	3.1
10:00	PL	CPI	Dec	% y/y	-	1.1	-
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	-
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	-
10:00	PL	Sold Industrial Output	Dec	% y/y	5.0	5.0	-
10:00	PL	Construction Output	Dec	% y/y	15.4	15.6	-
10:00	PL	PPI	Dec	% y/y	2.6	2.6	-
10:00	PL	Average Gross Wages	Dec	% y/y	7.3	7.0	-
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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