

22 January 2019

Eyeopener

IMF forecasts less optimistic

Calm start of the week amid US market closed
IMF lowered forecasts for world economic output growth
Today Polish retail sales data, German ZEW index

With the US market closed and lack of important releases, trading on Monday was calm. In the afternoon the British PM Theresa May said she will keep negotiating with the EU and excluded the possibility of a second Brexit referendum. Main exchange rates and bond yields stayed near the levels seen on Friday close. Stock exchanges saw some correction after the strong performance in the second part of last week. Today the German ZEW index is due, but we do not expect it to cause a lasting reaction of markets just two days ahead of the ECB meeting.

According to the January **World Economic Outlook** report, the International Monetary Fund revised downward global growth forecast for 2019 and 2020 to 3.5% and 3.6%, respectively (a decrease by 0.2% and 0.1% vs the October release). In these years further GDP slowdown is expected for developed countries and in the case of the emerging market and developing economy group, growth is expected to tick down to 4.5% in 2019 (from 4.6 percent in 2018), before improving to 4.9% in 2020. In the October report, the global forecast was also revised downward due to negative impact of trade tensions. This time, the main reason for the revision was poor economic standing of Germany and Italy after H2 2018, as well as growing concerns about economic outlook for Turkey. Financial conditions have already tightened also. Risks to global growth tilt to the downside due to a possible escalation of trade tensions, risk of Brexit without a new agreement with the EU and concerns about more serious economic slowdown in China.

In its report **IMF did not refer directly to Poland** and detailed forecasts will be updated not earlier than in April. In October, a slowdown in the Polish GDP growth was forecasted from 4.4% in 2018 to 3.5% in 2019. As regards CEE region, the new report reads only that the growth should remain sound, despite significant downward revision of the German GDP growth pace (from 1.9% to 1.3% in 2019).

EURUSD was hovering between Friday's maximum and minimum amid lower investors activity due to closed market in the US and lack of important data releases. Today's session started with a slight drop of the exchange rate but we do not expect any meaningful changes to take place on Tuesday ahead of the Thursday's ECB meeting.

EURPLN stayed near 4.29 and **USDPLN** held slightly above 3.77. The remaining CEE currencies also did not move much on Monday. **EURPLN** trading range is narrowing gradually waiting for a stronger impulse that could trigger persistent directional move. On Thursday the ECB will hold a post-meeting conference that could influence **EURUSD**, which in turn could drive **EURPLN**.

Yesterday the **domestic bonds market** was rather stable, similarly to the core markets and euro zone periphery bonds market. Today we will see Polish retail sales data. We anticipate the retail sales release above the market consensus thus we expect the data may negatively affect the Polish t-bonds and IRS market.

Today at 10:00CET the stat office will release December retail sales data. Real growth rate should be quite solid (7.3% y/y), thanks to, among others, an expected rebound in car sales before the end of the year. The business climate indicators from the stats office, which showed a nice improvement in the final months of 2018, could now send less optimistic signals.

IMF's World Economic Outlook projections

	2018	2019	2020
World Output	3.7	3.5(-0.2)	3.6(-0.1)
Advanced Economies	2.3	2.0(-0.1)	1.7(0.0)
USA	2.9	2.5(0.0)	1.8(0.0)
Euro Area	1.8	1.6(-0.3)	1.7(0.0)
Germany	1.5	1.3(-0.6)	1.6(0.0)
France	1.5	1.5(-0.1)	1.6(0.0)
Italy	1.0	0.6(-0.4)	0.9(0.0)
Spain	2.5	2.2(0.0)	1.9(0.0)
Japan	0.9	1.1(0.2)	0.5(0.2)
United Kingdom	1.4	1.5(0.0)	1.6(0.1)
Developing Economies	4.6	4.5(-0.2)	4.9(0.0)
Developing Europe	3.8	0.7(-1.3)	2.4(-0.4)
World Trade Volume	4.0	4.0(0.0)	4.0(-0.1)

Note: in parentheses are differences versus October 2018 WEO projections
Source: IMF, Santander

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FX market

Today's opening

EURPLN	4.2858	CZKPLN	0.1675
USDPLN	3.7751	HUFPLN*	1.3489
EURUSD	1.1353	RUBPLN	0.0568
CHFPLN	3.7850	NOKPLN	0.4392
GBPPLN	4.8582	DKKPLN	0.5740
USDCNY	6.8060	SEKPLN	0.4176

*for 100HUF

Last session in the FX market 21/01/2019

	min	max	open	close	fixing
EURPLN	4.282	4.305	4.289	4.282	4.2928
USDPLN	3.763	3.780	3.775	3.767	3.7751
EURUSD	1.136	1.141	1.137	1.137	-

Interest rate market 21/01/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.37	0	10 sty 19	OK0521	1.547
PS0424 (5L)	2.23	1	10 sty 19	PS0424	2.251
WS0428 (10L)	2.84	0	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	1.72	0	2.79	0	-0.22	0
2L	1.79	1	2.77	0	-0.15	-1
3L	1.87	0	2.72	0	-0.04	0
4L	1.97	1	2.70	-1	0.08	0
5L	2.08	1	2.70	-2	0.21	0
8L	2.32	0	2.77	-1	0.59	-1
10L	2.46	1	2.81	-2	0.80	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.47	-7
T/N	1.49	-5
SW	1.53	-2
2W	1.58	-1
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	1.71	0
3x6	1.71	0
6x9	1.72	1
9x12	1.72	0
3x9	1.78	0
6x12	1.77	0

Measures of fiscal risk

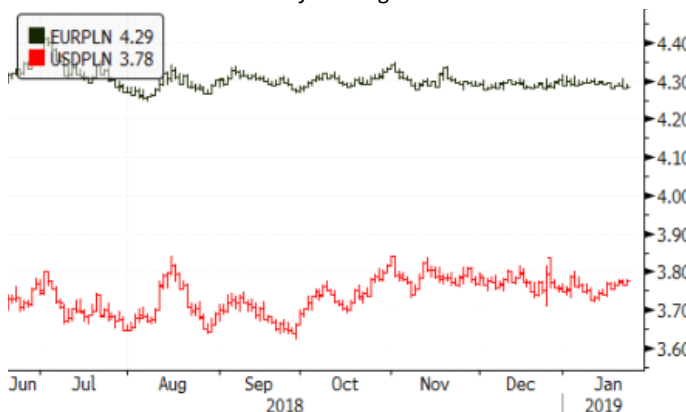
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.61 2
France	25 1	0.40 0
Hungary	116 1	2.67 2
Spain	65 4	1.12 1
Italy	221 8	2.52 2
Portugal	64 0	1.50 1
Ireland	25 0	0.74 0
Germany	11 0	- -

* 10Y treasury bonds over 10Y Bunds

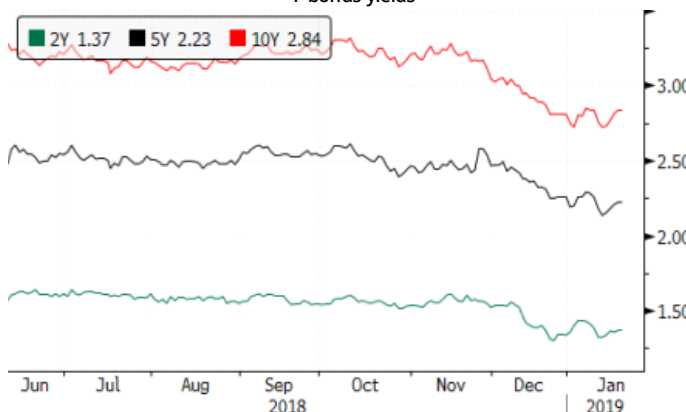
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

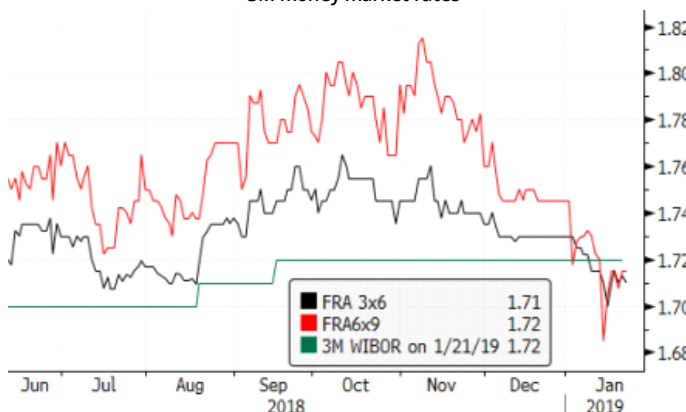
Zloty exchange rate



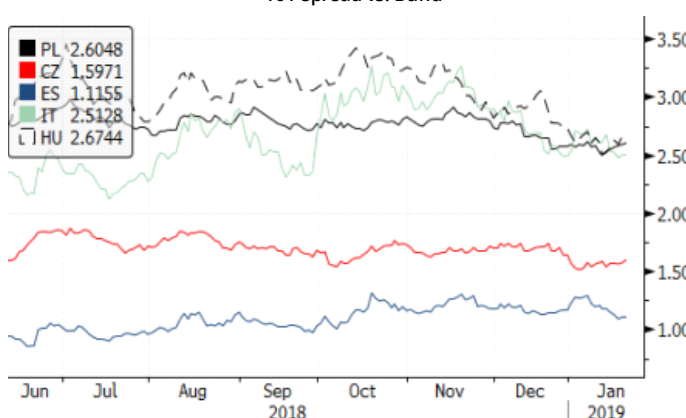
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (18 January)								
10:00	PL	Employment in corporate sector	Dec	% y/y	2.8	2.8	2.8	3.0
10:00	PL	Sold Industrial Output	Dec	% y/y	5.0	5.0	2.8	4.7
10:00	PL	Construction Output	Dec	% y/y	15.1	15.6	12.2	17.1
10:00	PL	PPI	Dec	% y/y	2.5	2.6	2.2	2.7
10:00	PL	Average Gross Wages	Dec	% y/y	7.3	7.0	6.1	7.7
15:15	US	Industrial Production	Dec	% m/m	0.2	-	0.3	0.61
16:00	US	Michigan index	Jan	pts	96.8	-	90.7	98.3
MONDAY (21 January)								
No important events								
TUESDAY (22 January)								
10:00	PL	Retail Sales Real	Dec	% y/y	7.0	7.3		6.9
11:00	DE	ZEW Survey Current Situation	Jan	pts	42.8	-		45.3
16:00	US	Existing Home Sales	Dec	% m/m	-0.9	-		1.9
WEDNESDAY (23 January)								
14:00	PL	Money Supply M3	Dec	% y/y	8.6	8.9		8.8
THURSDAY (24 January)								
09:30	DE	Flash Germany Manufacturing PMI	Jan	pts	51.5	-		51.5
09:30	DE	Flash Markit Germany Services PMI	Jan	pts	52.5	-		51.8
10:00	EZ	Flash Eurozone Manufacturing PMI	Jan	pts	51.3	-		51.4
10:00	EZ	Flash Eurozone Services PMI	Jan	pts	51.8	-		51.2
10:00	PL	Unemployment Rate	Dec	%	5.8	5.9		5.7
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:30	US	Initial Jobless Claims	week	k	220	-		216
FRIDAY (25 January)								
	PL	Central Budget Cumul.	Dec	mn PLN	-	-		11 060.1
10:00	DE	IFO Business Climate	Jan	pts	100.9	-		101.0
11:30	PL	Bond Auction	PLN4-8bn					

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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