

23 January 2019

# Eyeopener

## Weaker sales, weaker business climate

Next disappointing data releases from Poland and Europe

Zloty resisting the growing risk aversion

Polish bonds stable

Today, money supply data in Poland

On Tuesday a moderate pessimism persisted on the market. Investors were concerned about the global economic outlook after the IMF cut its growth forecasts. Additional pressure on the risky assets was generated by the German data that showed a much bigger than expected drop of the current situation ZEW index. As a result, stock indexes fell, the euro depreciated while bonds gained. Among the CEE currencies, the zloty outperformed its peers. Today the market mood may stay sour amid doubts if the US and China could reach a trade agreement by the end of February.

**Polish retail sales** disappointed in December, growing 3.9% y/y in real terms vs. 7% consensus. There are two probable sources of the weakness: First of all, we believe there may have been some acceleration of holiday shopping (please recall that November sales were unusually strong). Secondly, the timing of holidays in 2018 encouraged consumers to go on extended leave in late December. Negative surprises came mostly from food sales, sales in other non-specialized stores, and some durables. We would expect these categories to suffer in months when consumers take longer vacations. On the positive side, auto sales rebounded somewhat after a mixed/weak performance since September. What is more, quarterly average growth of retail sales in constant prices in 4Q (6.2% y/y) managed to beat the readings for 2Q (6.1%) and 3Q18 (5.8%). We maintain our view that GDP growth in 4Q remained solid, but likely for the first time in 1.5 years it fell slightly below 5% y/y.

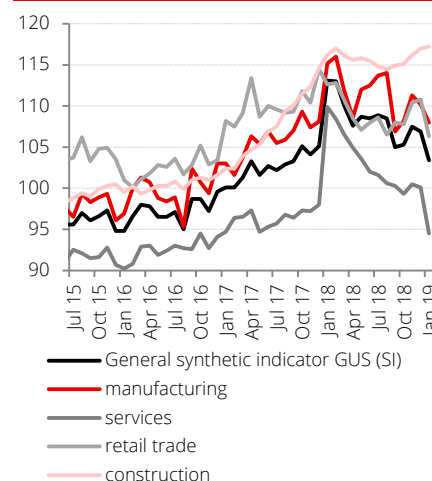
The behaviour of **GUS business climate indicators** in January supports our scenario of a GDP growth slowdown this year, driven by weakening foreign demand. This is signalled by declining indices of expected production in the manufacturing sector (new orders declined as well, but remained at an elevated level). We believe GDP growth should be supported by the construction sector (a new record high for new orders in January) and private consumption (demand indices slid, but remained at a relatively elevated level when it comes to retail trade). However, we are concerned about the negative values of demand indicators in the services sector.

Yesterday **EURUSD** continued downward movement initiated in the first half of January, reaching temporarily 1.333. No direct reaction on the German data was reported, however worse moods related to the economic growth in Europe and in the world might have triggered euro weakening yesterday. In the afternoon the EURUSD rebound was observed after disappointing data on the sale of new houses in USA. The changes did not depart from movements reported in previous days. Today no important data will be released, therefore trading may stabilise, while awaiting for tomorrow's press conference after EBC meeting and planned voting in the US Senate on bills that are to close the government shutdown.

**EURPLN** rose to 4.29 yet before the Polish retail sales data was released and returned to c4.28 later on. The zloty outperformed its CEE peers despite falling stock indexes and the next set of below-consensus Polish macro data. Taking a broader look at the market, the situation did not change much. EURPLN trading range is narrowing waiting for a trigger.

Yesterday on the **domestic debt market** IRS and t-bonds yields remained close to the Monday's closing. The biggest move were on the core markets, where the yields slid by 2bp hit by poor German data (the data release strengthen doubts about future of global economy). In our opinion the domestic data released yesterday (retail sales and GUS confidence indicators) should be positive for the bonds and IRS markets especially for the 2-5Y segment. The long end of the bonds curve may be negatively affected by higher pricing of credit risk. The stronger impulses for the core and domestic yields may be the end of "government shutdown" in the US – tomorrow US Senate will vote the bills that could end the stalemate.

### GUS sectoral confidence indicators



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.2866	CZKPLN	0.1672
USDPLN	3.7717	HUFPLN*	1.3470
EURUSD	1.1365	RUBPLN	0.0569
CHFPLN	3.7802	NOKPLN	0.4393
GBPPLN	4.8891	DKKPLN	0.5741
USDCNY	6.7884	SEKPLN	0.4185

\*for 100HUF

### Last session in the FX market 22/01/2019

	min	max	open	close	fixing
EURPLN	4.282	4.291	4.282	4.284	4.2862
USDPLN	3.767	3.780	3.767	3.769	3.7727
EURUSD	1.134	1.137	1.137	1.137	-

## Interest rate market 22/01/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.38	0	10 sty 19	OK0521	1.547
PS0424 (5L)	2.21	-2	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	2.78	-1	-0.22	0
2L	1.80	1	2.74	-3	-0.15	-1
3L	1.87	0	2.68	-4	-0.05	-1
4L	1.98	0	2.66	-4	0.06	-1
5L	2.08	0	2.67	-5	0.19	-1
8L	2.33	1	2.72	-4	0.57	-2
10L	2.46	0	2.78	-5	0.78	-2

## WIBOR rates

Term	%	Change (bps)
O/N	1.51	4
T/N	1.51	2
SW	1.53	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	1.71	0
3x6	1.72	0
6x9	1.71	-1
9x12	1.71	0
3x9	1.78	0
6x12	1.77	0

## Measures of fiscal risk

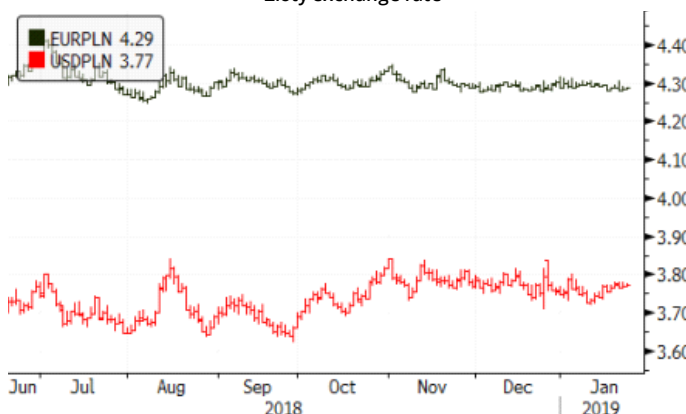
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.62 1
France	25 1	0.41 0
Hungary	116 1	2.68 1
Spain	65 4	1.10 0
Italy	221 8	2.53 2
Portugal	64 0	1.49 0
Ireland	25 0	0.74 0
Germany	11 0	- -

\* 10Y treasury bonds over 10Y Bunds

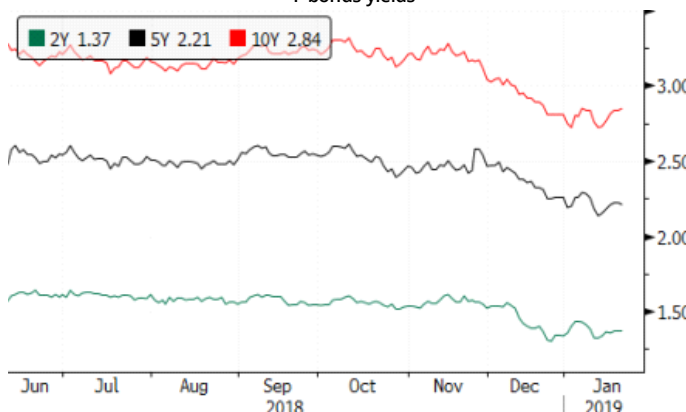
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

## Zloty exchange rate



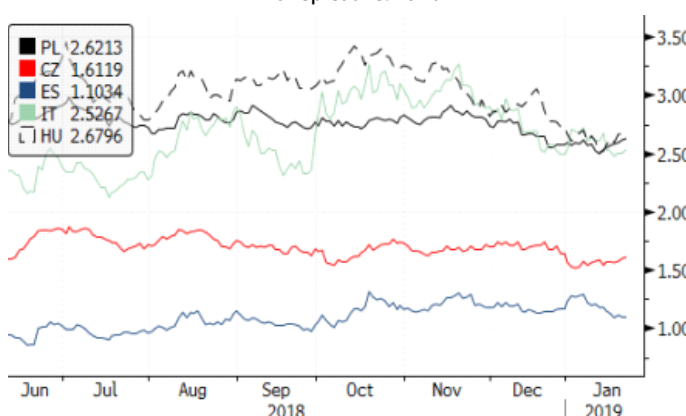
## T-bonds yields



## 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	4.7	6.9
11:00	DE	ZEW Survey Current Situation	Jan	pts	42.8	-	27.6	45.3
16:00	US	Existing Home Sales	Dec	% m/m	-0.9	-	-6.4	2.1
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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