

29 January 2019

Eyeopener

Currencies stable ahead of "Plan B" vote

Mixed signals from NBP economic survey
Zloty still stable, euro slightly stronger
Bond yields down amid falling stock prices
Today, "Plan B" vote in the UK

On Monday stock indexes went down, especially in the USA after Caterpillar and Nvidia disappointed with their financial results. Core, euro zone periphery and Polish bond yields took cue from stock indices. Yesterday's speech of ECB's Mario Draghi in the European Parliament fitted into general worsening of moods. Governor Draghi said that the uncertainty connected to geopolitics undermined the European economy. Despite that, the euro gained slightly, while the zloty remained relatively stable.

In 4Q18, the number of foreigners insured in ZUS (State Social Security) rose to 570k from 569k after the weakest quarterly increase in many years. Interestingly, the number of insured Ukrainians fell to 421k from 426k and this was the first fall in this category since 2012. On the other hand, the number of insured from other foreign countries rose to 149k from 143k, with the strongest gains in workers from Georgia and Belarus (+1.5k for both). The data suggest that inflow of workers from Ukraine may have stalled. If this flow is not offset by workers from other countries, then this would be a factor supporting wage growth in 2019.

According to MPC's Łukasz Hardt, introduction of longer-maturity open market operations (e.g. 3-month) is worth mulling, given the planned introduction of new reference rates for the banking sector (at start of 2020 at the latest). Hardt also stated that yields of longer money market bills would be a good proxy of cost of money. In our view, this comment stays in line with recent changes in main central banks after 2008, which target longer-maturity interest rates with use of non-standard monetary policy measures.

Quarterly NBP report on business climate, „Quick Monitoring”, showed a mix of positive current assessment and record high capacity utilization with significant rise of wage pressure, growing labour shortage problem, worsening export and demand outlook. The report highlights a large drop of export sales growth already in 3Q18 (below zero in real terms for the first time since 2009) and worse assessment of own situation by enterprises. The NBP survey confirms a decrease of sales profitability. In 1Q there was a jump of the share of enterprises that plan wage hikes and a rise of the share of employees to be covered by the hikes. At the same time, the indicator of employment forecasts reached the highest level in the history of this survey (ie since 2001) and there was also an improvement in new investments indicator.

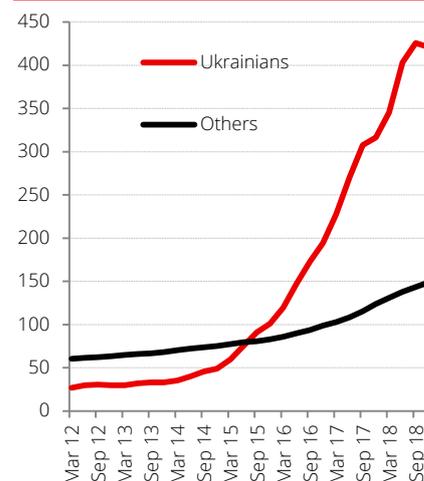
EURUSD climbed somewhat to 1.144 from 1.142 despite dovish comments of the ECB Governor. Today's US data on consumer sentiment will be overshadowed by the "Plan B" vote in the British Parliament (most probably in the evening). Its rejection should not come as a surprise and can be read by the market as another reason to postpone the Brexit, which could be EUR-positive, in turn. The pound was gaining considerably in the recent weeks so we think that further upward potential is limited in the short term.

Yesterday EURPLN was hovering around 4,29. The zloty is still waiting for a trigger that could terminate the horizontal trend, that has been observed since August.

In case of the other CEE currencies, EURHUF decreased slightly, EURCZK rose to 25.76 from 25.70, after investors considered that recent local bankers statements cut chances for interest rates hike at the meeting scheduled for 7 February. USDRUB rebounded to 66.20 from 65.80 as a response for the oil prices slide. The positive stock market reaction for the lifting of US sanction on Rusal did not hindered the weakening of the ruble.

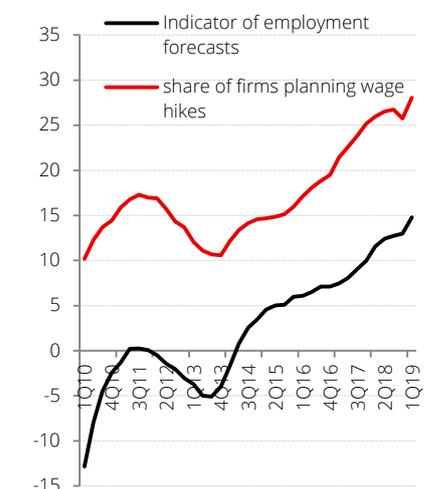
On the domestic debt market, rates fell slightly (bond yields by 1-2bp and IRS by 2-5bp) across the curve. The changes were triggered by the trends on the core markets that were driven by the falling stock indexes. This morning European stock markets open higher which may stop yesterday's yields downward trend.

Number of foreigners paying contributions to Polish Social Security (k)



Source: ZUS, Santander

Quick Monitoring: selected components, 4Q moving average



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.2938	CZKPLN	0.1666
USDPLN	3.7541	HUFPLN*	1.3528
EURUSD	1.1438	RUBPLN	0.0566
CHFPLN	3.7849	NOKPLN	0.4418
GBPPLN	4.9318	DKKPLN	0.5751
USDCNY	6.7384	SEKPLN	0.4148

*for 100HUF

Last session in the FX market 28/01/2019

	min	max	open	close	fixing
EURPLN	4.281	4.295	4.289	4.294	4.2885
USDPLN	3.749	3.771	3.759	3.755	3.7592
EURUSD	1.139	1.144	1.141	1.144	-

Interest rate market 28/01/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.48	13	10 sty 19	OK0521	1.547
PS0424 (5L)	2.18	-2	10 sty 19	PS0424	2.251
WS0428 (10L)	2.80	-1	10 sty 19	WS0428	2.821

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	-1	2.77	-1	-0.22	0
2L	1.78	-1	2.73	-2	-0.16	0
3L	1.85	-1	2.68	-2	-0.06	0
4L	1.95	-2	2.65	-2	0.05	0
5L	2.06	-2	2.66	-2	0.17	0
8L	2.28	-3	2.72	-2	0.53	0
10L	2.41	-3	2.77	-2	0.74	0

WIBOR rates

Term	%	Change (bps)
O/N	1.15	-8
T/N	1.27	-11
SW	1.52	0
2W	1.57	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	1.71	0
6x9	1.71	0
9x12	1.71	0
3x9	1.78	0
6x12	1.76	-1

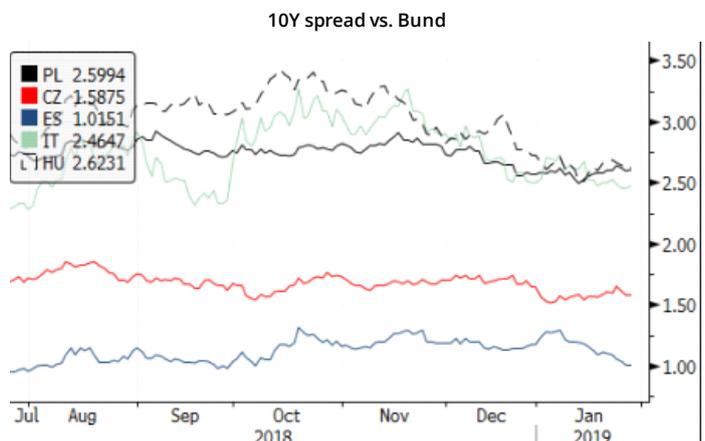
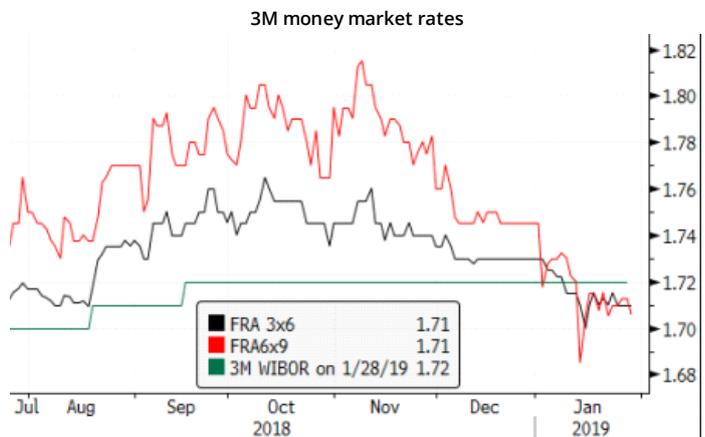
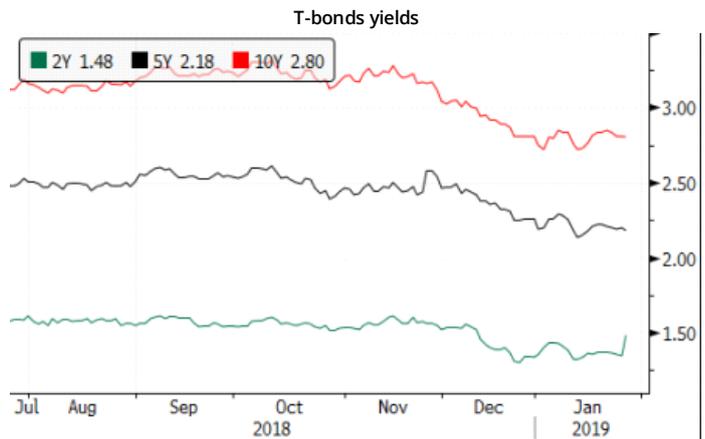
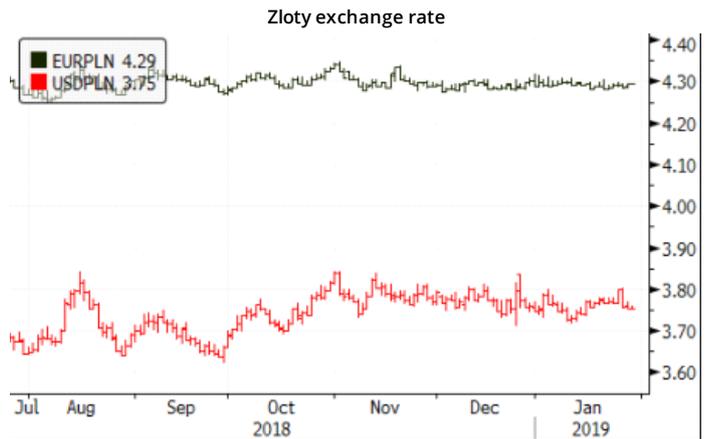
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.60	-1
France	25	1	0.40	0
Hungary	116	1	2.63	0
Spain	65	4	1.02	0
Italy	221	8	2.47	1
Portugal	64	0	1.44	0
Ireland	25	0	0.72	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



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (25 January)								
10:00	DE	Ifo Business Climate	Jan	pts	100.7		99.1	101.0
11:30	PL	Bond Auction						
MONDAY (28 January)								
No important data releases								
TUESDAY (29 January)								
14:00	HU	Central Bank Rate Decision		%	0.90	-		0.90
16:00	US	Consumer Conference Board	Jan	pts	124.9	-		128.1
WEDNESDAY (30 January)								
11:00	EZ	ESI	Jan	pts	106.9	-		107.3
14:00	DE	HICP	Jan	% m/m	-0.9	-		0.3
14:15	US	ADP report	Jan	k	170	-		271
14:30	US	GDP Annualized	4Q	% Q/Q	2.5	-		3.4
16:00	US	Pending Home Sales	Dec	% m/m	1.0	-		-0.7
20:00	US	FOMC decision		%	2.5	-		2.5
THURSDAY (31 January)								
08:00	DE	Retail Sales	Dec	% m/m	-0.6	-		1.6
10:00	PL	GDP	2018	% y/y	5.0	5.1		4.8
11:00	EZ	GDP SA	4Q	% y/y	1.2	-		1.6
11:00	EZ	Unemployment Rate	Dec	%	7.9	-		7.9
14:30	US	Initial Jobless Claims	week	k	218	-		199
14:30	US	Personal Spending	Dec	% m/m	0.3	-		0.4
14:30	US	Personal Income	Dec	% m/m	0.5	-		0.2
14:30	US	PCE Deflator SA	Dec	% m/m	0.0	-		0.1
FRIDAY (1 February)								
09:00	PL	Poland Manufacturing PMI	Jan	pts	47.5	49.0		47.6
09:55	DE	Germany Manufacturing PMI	Jan	pts	51.5	-		49.9
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	51.35	-		50.5
11:00	EZ	Flash HICP	Jan	% y/y	1.4	-		1.6
14:30	US	Change in Nonfarm Payrolls	Jan	k	162	-		312
14:30	US	Unemployment Rate	Jan	%	3.8	-		3.9
16:00	US	Michigan index	Jan	pts	0.0	-		90.7
16:00	US	ISM manufacturing	Jan	pts	54.25	-		54.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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