

13 February 2019

Eyeopener

Zloty still weak

Stocks rebound hits bonds

EURUSD up

Core inflation boosts forint, EURPLN still high

Today: Polish current account data, US inflation

The Tuesday improvement on global markets stopped the EURUSD decline and gave some breathing space to CEE currencies. European stock indices rose strongly after positive news regarding the talks to prevent another government shutdown in the USA and trade negotiations between the USA and China. The rebound of equities weighed on core market bonds. British PM Theresa May said yesterday that she still counts on such Brexit conditions that could be supported by the parliament. In her view, the negotiations with the EU are in a key phase and this week there will be no attempt to approve the deal by MPs. The pound did not react to this news.

EURUSD declined in the first hours of trading to this year's low of c1.125, but the move was not continued and at the end of the day the exchange rate was slightly above the Tuesday opening level (around 1.134). The dollar has already regained the losses caused by the dovish shift of FOMC at the last meeting. Today we will see US inflation data and in our view the reading may have short term influence on trading, until the end of the week.

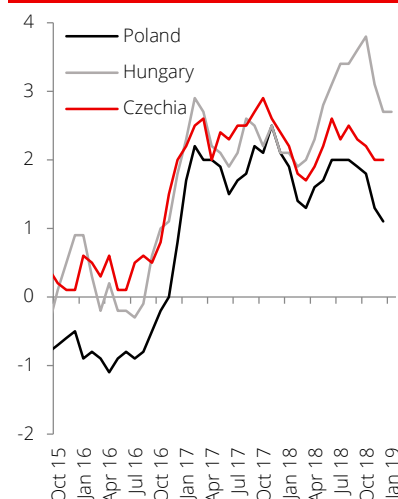
EURPLN rose yesterday to almost 4.33 and USDPLN to 3.845, but the pace of the zloty's depreciation was significantly lower than in the previous days. At the end of the day both exchange rates were slightly below their intraday tops. Yesterday EURPLN did not react clearly to the rebound of EURUSD and the of European equities, which might indicate that in the coming days the exchange rate may approach 4.34. Today we will get Polish data on current account balance for December. In our view they will show a higher-than-expected deficit. We do not think the zloty could immediately respond negatively, but on the other hand this will not be a factor that could stop its march higher.

Among the other CEE currencies, the forint and ruble performed the best. The Hungarian currency benefited from the morning data showing that core inflation rebounded in January to 3.2% y/y from 2.8% y/y. In the recent weeks, Hungarian central bankers were pointing to this measure as a criteria for starting monetary policy normalization and the yesterday's release made the market pricing that such steps could be taken. As a result, EURHUF fell to 317.5 from nearly 320. The ruble was supported by the rebound in oil prices.

On the domestic interest rate market yields ended the day marginally above the Friday's closing resisting the 2-3bp rise seen on the core markets. Taking a broader look, the 5Y and 10Y yields are still holding just above their local lows at 2.15% and 2.70%, respectively. We think that a yet another day with rising stock indexes could pressure Polish bonds but we do not expect yields to rise more than 2bp as the good budget liquidity and outlook of low supply at auctions could provide support.

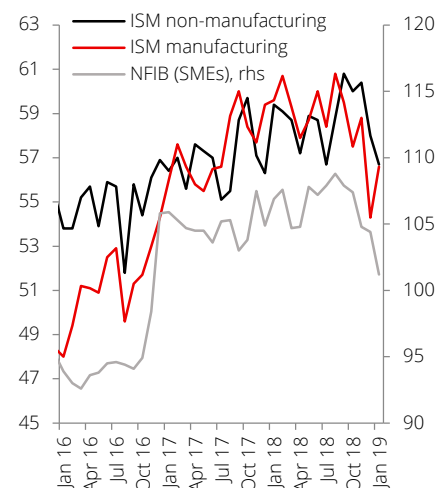
Today at 14:00CET the central bank will release December **balance of payments** data. We expect that a significant deceleration of the December industrial output took its toll on exports and imports leading to a noticeable widening of the foreign trade and current account deficits..

Inflation in CEE, % y/y



Source: Bloomberg, Santander

US business sentiment indicators



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.3295	CZKPLN	0.1674
USDPLN	3.8242	HUFPLN*	1.3614
EURUSD	1.1321	RUBPLN	0.0582
CHFPLN	3.7992	NOKPLN	0.4431
GBPPLN	4.9366	DKKPLN	0.5801
USDCNY	6.7631	SEKPLN	0.4128

*for 100HUF

Last session in the FX market 12/02/2019

	min	max	open	close	fixing
EURPLN	4.321	4.333	4.323	4.332	4.3268
USDPLN	3.826	3.845	3.836	3.827	3.838
EURUSD	1.126	1.132	1.127	1.132	-

Interest rate market 12/02/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.54	0	7 lut 19	OK0521	1.493
PS0424 (5L)	2.17	0	7 lut 19	PS0424	2.158
WS0428 (10L)	2.72	0	7 lut 19	DS1029	2.820

IRS on the interbank market**

RIS on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.70	1	-0.22	0
2L	1.77	0	2.64	1	-0.16	0
3L	1.83	0	2.59	1	-0.08	1
4L	1.93	0	2.57	1	0.02	1
5L	2.03	0	2.58	1	0.13	1
8L	2.25	0	2.65	1	0.46	1
10L	2.38	0	2.71	2	0.66	1

WIBOR rates

Term	%	Change (bps)
O/N	1.60	1
T/N	1.60	1
SW	1.56	1
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	1.70	0
9x12	1.70	1
3x9	1.78	1
6x12	1.76	1

Measures of fiscal risk

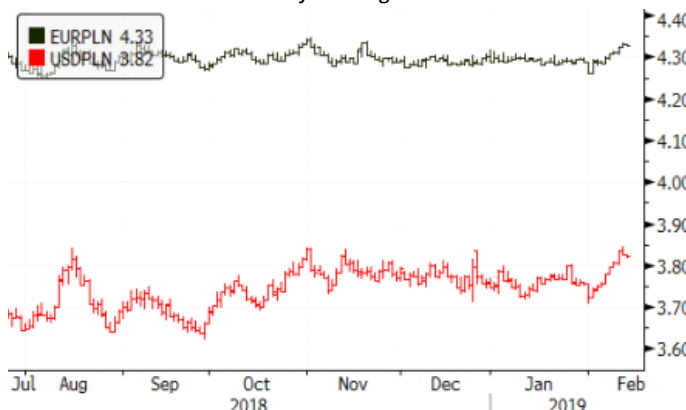
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.59 0
France	37 -1	0.43 0
Hungary		2.55 -1
Spain	78 -2	1.11 1
Italy	230 -6	2.72 0
Portugal	89 -2	1.50 0
Ireland	41 0	0.76 0
Germany	13 0	- -

* 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



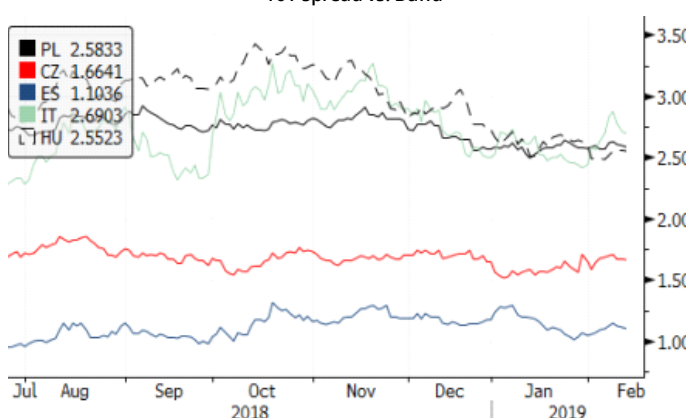
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (8 February)							
08:00	DE	Exports SA	Dec	% m/m	0.4	1.5	-0.3
MONDAY (11 February)							
No important events							
TUESDAY (12 February)							
09:00	HU	CPI	Jan	% y/y	2.8	-	2.7
WEDNESDAY (13 February)							
09:00	CZ	CPI	Jan	% y/y	2.1	-	2.5
11:00	EZ	Industrial Production	Dec	% m/m	-0.4	-	-1.7
14:00	PL	Current Account Balance	Dec	€mn	-960	-1 770	-221
14:00	PL	Trade Balance	Dec	€mn	-1 156	-1 640	-229
14:00	PL	Exports	Dec	€mn	16 600	16 303	20 025
14:00	PL	Imports	Dec	€mn	17 881	17 943	20 254
14:30	US	CPI	Jan	% m/m	0.1	-	-0.1
THURSDAY (14 February)							
08:00	DE	GDP	4Q	% y/y	0.8	-	1.1
09:00	HU	GDP	4Q	% y/y	4.7	-	4.9
10:00	PL	GDP	4Q	% y/y	4.9	4.8	5.1
11:00	EZ	GDP	4Q	% y/y	1.2	-	1.2
14:30	US	Initial Jobless Claims	week	k	221	-	234
14:30	US	Retail Sales	Dec	% m/m	0.1	-	0.2
FRIDAY (15 February)							
09:00	CZ	GDP	4Q	% y/y	2.4	-	2.4
10:00	PL	CPI	Jan	% y/y	1.0	0.7	1.1
15:15	US	Industrial Production	Jan	% m/m	0.1	-	0.35
16:00	US	Flash Michigan index	Feb	pts	94.0	-	91.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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