

14 February 2019

# Eyeopener

## Today domestic GDP

Positive „trade wars” news, Eurozone economy in a gloomy mood  
 Zloty still under the pressure, EURUSD down  
 Polish t-bonds gains, despite the UST yields up  
 Today: in the morning Polish 4Q18 GDP, in the afternoon US retail sales release

On Wednesday, the global markets were quite positive thanks to comments of president Trump who said that new tariffs on Chinese products may be postponed by 60 days. Weaker data from the European economy did not undermine the moods. The dollar gained, while US bonds lost after information on trade wars and slightly higher inflation, including core in the USA. The single currency was under pressure of disappointing euro zone industrial output, which was also limiting the Bund yield upward potential. Data on Germany GDP in 4Q18, released this morning, were in line with expectations yet worse than flash data showed and proved that the Germany economy failed to make up for losses suffered in 3Q18 (-0.2% q/q). Today the British parliament will discuss the EU exit terms, but it seems improbable that we will get to see a breakthrough.

**Poland's current account deficit** in 2018 came in at €1.4bn, between market expectations (€1.0bn) and our forecast (€1.8bn) and quite close to the reading from December 2017 (deficit of €1.35bn). The C/A balance resulted from December a highly negative trade balance (€-1.34bn, the lowest in seven years); however, a large deterioration in the final month of the year is typical. Still, exports were markedly lower than expected, expanding by a mere 2.3% y/y (market consensus was 6.9% y/y, our call 4.2%), while imports increased 3.0% y/y (consensus and our forecast 6.6%). Services exports continued to gradually lose pace in December, falling from +10% y/y to +7.9%, but imports of services also showed the slowest growth of 2018 (3.5% y/y vs. 6.6% in the previous month). In our view, the economic slowdown in the euro zone will be a drag on Polish exports, which are likely to underperform in 2019. At the same time, the peak growth of domestic demand is most likely already behind us (we estimate it at 5.3% for 2018, possibly slowing to 4.6% this year), which should also soften the growth rate for imports. According to our estimates, the 2018 current account deficit was at 0.7% of GDP, which is relatively low from a historical perspective. For comparison, in the business cycle that ended with the global financial crisis, during the same phase as we are in now, the C/A deficit exceeded 6% of GDP. Also worth noting is that there was a substantial inflow of EU money through capital accounts in December, amounting to €3.13bn - the second-largest monthly inflow since Poland joined the EU in 2004. This supports our impression that Poland's external position looks quite comfortable.

**EURUSD** dropped temporarily below 1.13 from 1.134, neutralising Tuesday's increase. The dollar was supported by signals regarding US-China trade negotiations and US inflation data. Today in the morning EURUSD is again below 1.13 and we think there is a room for further decline in the next few days.

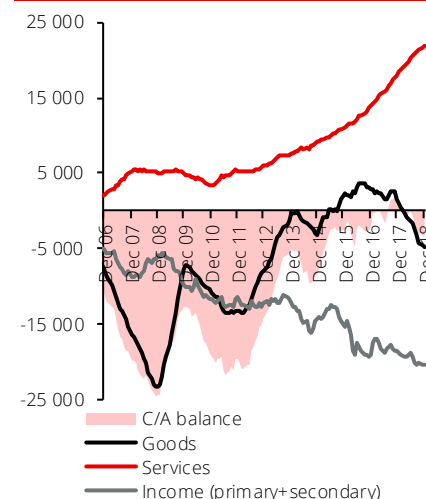
**EURPLN** was long stable around 4.328 but just before the end of the session the exchange rate started to rise and touched 4.34 at night setting the fresh this year's high. USDPLN rose to nearly 3.84 from 3.815. Yesterday we suggested that EURPLN may head towards the 4.34 resistance and this scenario has materialized. We do not expect today's GDP data to influence the zloty.

**Among the CEE currencies**, the Czech koruna performed the best thanks to the higher-than-expected January CPI data. In the recent weeks, the Czech central bankers sounded rather reserved and did not suggest any rush with restarting the rate hikes cycle and that was the reason for the yesterday's noticeable reaction. EURCZK fell to 25.78 from 25.87. In case of the forint and ruble, the session was calm just like on the Polish market.

**On the domestic interest rate market** yields fell on the short end long end of the curve by 1bp despite weakening of Treasuries. It seems that the Polish bonds benefited from decent Bund performance that ended the session near Tuesday's closing. Today we expect yields to fall slightly.

**Today at 10:00CET, the stat office will release 4Q18 GDP data.** After the total 2018, the 4Q release is unlikely to surprise, with the headline likely below 5% for the first time since 2Q17. We estimate that the slowdown in investments and private consumption were behind the GDP deceleration, while net exports contributed positively. Our forecast 4.8% is at a market consensus.

Balance of payments: main balances (12m moving sum)



Source: NBP, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: skarb.santander.pl  
 Piotr Bielski +48 22 534 18 87  
 Marcin Łuziński +48 22 534 18 85  
 Grzegorz Ogonek +48 22 534 19 23  
 Konrad Soszyński +48 22 534 18 86  
 Marcin Sulewski, CFA +48 22 534 18 84

## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.3358 | CZKPLN  | 0.1682 |
| USDPLN | 3.8435 | HUFPLN* | 1.3612 |
| EURUSD | 1.1281 | RUBPLN  | 0.0579 |
| CHFPLN | 3.8122 | NOKPLN  | 0.4452 |
| GBPPLN | 4.9444 | DKKPLN  | 0.5811 |
| USDCNY | 6.7640 | SEKPLN  | 0.4156 |

\*for 100HUF

### Last session in the FX market 13/02/2019

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.326 | 4.337 | 4.332 | 4.337 | 4.3312 |
| USDPLN | 3.815 | 3.847 | 3.827 | 3.846 | 3.8261 |
| EURUSD | 1.127 | 1.134 | 1.132 | 1.128 | -      |

## Interest rate market 13/02/2019

### 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)     | 2.71 | -2           | 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            | 2.71 | 1            | -0.22 | 0            |
| 2L                          | 1.77 | 0            | 2.67 | 3            | -0.16 | 0            |
| 3L                          | 1.83 | 0            | 2.62 | 3            | -0.07 | 1            |
| 4L                          | 1.92 | -1           | 2.60 | 3            | 0.03  | 1            |
| 5L                          | 2.03 | -1           | 2.60 | 2            | 0.13  | 0            |
| 8L                          | 2.24 | -1           | 2.67 | 2            | 0.46  | 0            |
| 10L                         | 2.37 | -1           | 2.72 | 2            | 0.66  | 0            |

### WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 1.60 | 0            |
| T/N  | 1.60 | 0            |
| SW   | 1.56 | 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  | 1.71 | 0            |
| 6x9  | 1.70 | 0            |
| 9x12 | 1.70 | 0            |
| 3x9  | 1.78 | 0            |
| 6x12 | 1.76 | 0            |

### Measures of fiscal risk

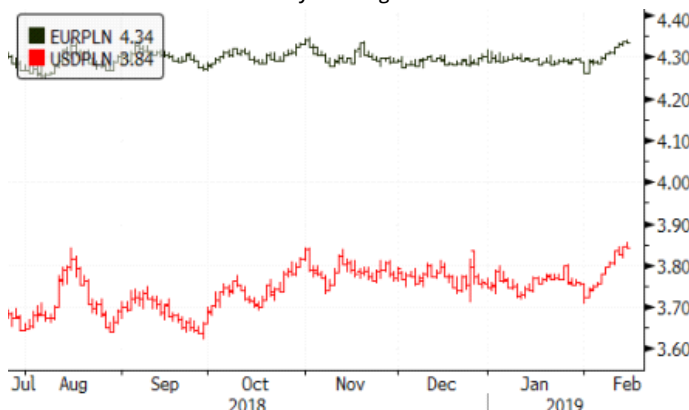
| Country  | CDS 5Y USD         | 10Y spread*        |
|----------|--------------------|--------------------|
|          | Level Change (bps) | Level Change (bps) |
| Poland   |                    | 2.59 -2            |
| France   | 37 0               | 0.42 -1            |
| Hungary  |                    | 2.58 -1            |
| Spain    | 76 1               | 1.11 0             |
| Italy    | 225 -4             | 2.64 -2            |
| Portugal | 88 1               | 1.46 -1            |
| Ireland  | 41 -1              | 0.76 -1            |
| 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



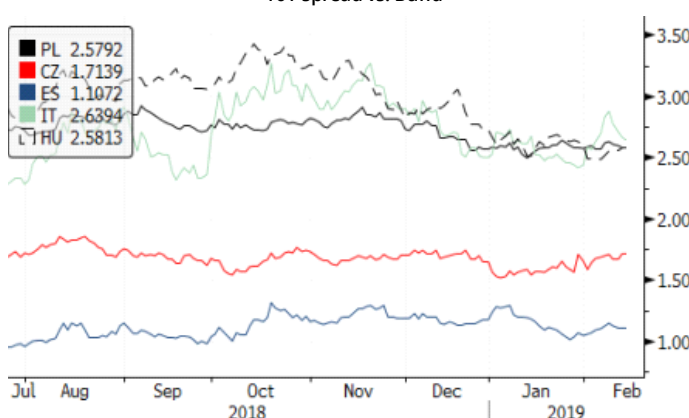
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| TIME                    | COUNTRY | INDICATOR               | PERIOD | FORECAST |           | ACTUAL | LAST   |
|-------------------------|---------|-------------------------|--------|----------|-----------|--------|--------|
| CET                     |         |                         |        | 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      | -      | -0.9   |
| 14:00                   | PL      | Current Account Balance | Dec    | €mn      | -960      | -1 770 | -1 400 |
| 14:00                   | PL      | Trade Balance           | Dec    | €mn      | -1 156    | -1 640 | -1 340 |
| 14:00                   | PL      | Exports                 | Dec    | €mn      | 16 600    | 16 303 | 16 005 |
| 14:00                   | PL      | Imports                 | Dec    | €mn      | 17 881    | 17 943 | 17 345 |
| 14:30                   | US      | CPI                     | Jan    | % m/m    | 0.1       | -      | 0.0    |
| THURSDAY (14 February)  |         |                         |        |          |           |        |        |
| 08:00                   | DE      | GDP                     | 4Q     | % y/y    | 0.8       | -      | 0.9    |
| 09:00                   | HU      | GDP                     | 4Q     | % y/y    | 4.6       | -      | 5.0    |
| 10:00                   | PL      | GDP                     | 4Q     | % y/y    | 4.8       | 4.8    | 5.1    |
| 11:00                   | EZ      | GDP                     | 4Q     | % y/y    | 1.2       | -      | 1.2    |
| 14:30                   | US      | Initial Jobless Claims  | week   | k        | 225       | -      | 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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email [ekonomia@santander.pl](mailto:ekonomia@santander.pl), <http://www.santander.pl>.