

19 February 2019

Eyeopener

Wages should accelerate

EURUSD higher in reaction to positive news about US-China trade talks

Polish debt and currency stable amid low activity abroad

Today, wages and employment data in Poland, ZEW in Germany

Monday passed without big changes on the markets. EURUSD rose somewhat on the wave of optimism, due to signals that progress has been made in US-China trade negotiations. The sentiment was not upset by news that US Trade Department sent the report to the White House about the possibility of imposing tariffs on cars and car parts. It was the President's Day in the USA, which helped markets stay calm. European equities and the zloty remained stable, as did domestic bond yields.

On Monday, **EURUSD** was going up on the wave of optimism about progress in Sino-US trade negotiations. Investors were not worried about information that the US Department of Commerce presented a report about possibility of car tariff introduction. As a result EURUSD climbed to 1.3110 from 1.290 but in the afternoon the trend started turning back and today in the morning the rate was again temporarily below 1.13. This could have had some connection to comment of ECB chief economist Peter Praet, who stated that the bank could change its current forward guidance on interest rates if the euro zone economy slows down more significantly. Today we are expecting some rise in EURUSD thanks to German ZEW index, which we are expecting to surprise to the upside.

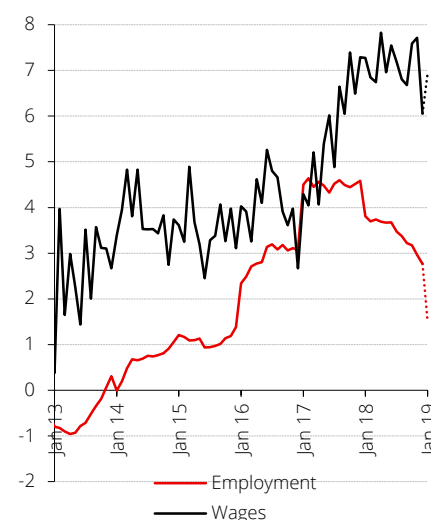
On Monday **EURPLN** was hovering in a narrow range around 4.33 amid investor's low activity as the US market was closed. The zloty did not benefit from the dollar depreciation amid progress reported in the US-China trade talks. Today, we will see German ZEW index and we expect it to surprise to the upside which could be zloty-positive.

In case of the **other CEE currencies**, EURHUF traded in a 317.9-318.3 range. Investors were not impressed by the information from the Hungarian central bank that reported public debt fell in 2018 to 70.9% from 73.4%. EURCZK climbed to 25.74 from 25.68 which might have been triggered by data about slower-than-expected rise in imports and exports prices. USDRUB held near 66.25 ignoring the surprising PPI drop (-3.3 m/m).

On the **domestic fixed income market** yield curve stayed roughly stable over the day, amid absence of visible activity on the European market and US market holiday. Only the IRS curve moved up by 1bp. Today we expect some upward move of the curve in reaction to small upward move of the stock markets and ZEW Germany, which we expect to surprise to the upside. The domestic labour market data is likely to be ignored by the investors.

Today at 10:00 wage and employment data for January will be released. According to our estimates, wage growth accelerated to c.7% y/y, which – if true – would confirm our hypothesis that unexpected weakness at the very end of 2018 was partly due to the calendar effect that encouraged to take longer leaves. January's employment data will be, as always, disturbed by the change-of-sample effect, which makes the figure hard to interpret. Our forecast assumes employment growth at 1.5% y/y, vs. 2.8% y/y in December and market consensus near 2% y/y.

Labour market data, corporate sector, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.3299	CZKPLN	0.1683
USDPLN	3.8313	HUFPLN*	1.3620
EURUSD	1.1301	RUBPLN	0.0579
CHFPLN	3.8130	NOKPLN	0.4446
GBPPLN	4.9446	DKKPLN	0.5803
USDCNY	6.7764	SEKPLN	0.4131

*for 100HUF

Last session in the FX market 18/02/2019

	min	max	open	close	fixing
EURPLN	4.327	4.335	4.334	4.330	4.3317
USDPLN	3.820	3.840	3.836	3.828	3.8286
EURUSD	1.128	1.133	1.129	1.131	-

Interest rate market 18/02/2019

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)	2.16	1	7 lut 19	PS0424	2.158
WS0428 (10L)	2.69	1	7 lut 19	DS1029	2.820

IRS on the interbank market**

Risks on the interbank market						
Term	PL			US		EZ
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.70	0	-0.22	0
2L	1.76	0	2.65	0	-0.16	0
3L	1.82	0	2.60	0	-0.07	0
4L	1.91	1	2.58	0	0.02	0
5L	2.01	1	2.58	0	0.13	0
8L	2.22	1	2.64	0	0.46	0
10L	2.34	1	2.69	1	0.66	1

WIBOR rates

Term	%	Change (bps)
O/N	1.59	-1
T/N	1.59	-1
SW	1.55	-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	1.72	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

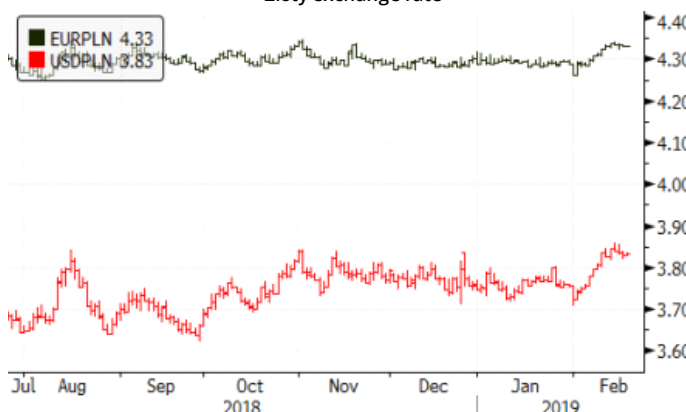
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.57 0
France	37 -1	0.43 0
Hungary		2.62 0
Spain	78 -1	1.11 0
Italy	224 -4	2.63 -3
Portugal	89 -1	1.39 -1
Ireland	41 0	0.75 0
Germany	13 0	- -

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

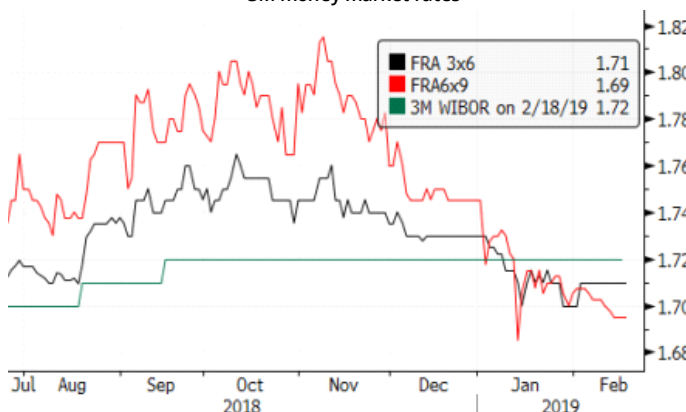
Zloty exchange rate



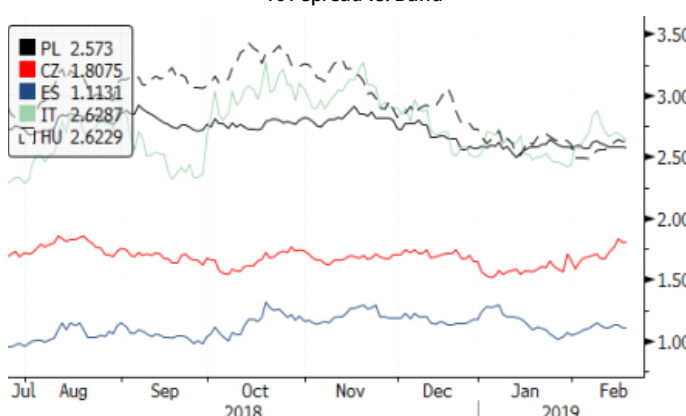
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (15 February)								
09:00	CZ	GDP SA	4Q	% y/y	2.4	2.9	2.4	
10:00	PL	CPI	Jan	% y/y	1.0	0.9	1.1	
15:15	US	Industrial Production	Jan	% m/m	0.1	-0.6	0.1	
16:00	US	Michigan index	Feb	pts	93.5	95.5	91.2	
MONDAY (18 February)								
No important events								
TUESDAY (19 February)								
10:00	PL	Employment in corporate sector	Jan	% y/y	1.75	1.5	-	2.8
10:00	PL	Average Gross Wages	Jan	% y/y	6.65	6.9	-	6.1
11:00	DE	ZEW Survey Current Situation	Feb	pts	-	-	-	27.6
WEDNESDAY (20 February)								
10:00	PL	Sold Industrial Output	Jan	% y/y	3.8	5.5	-	2.8
10:00	PL	PPI	Jan	% y/y	2.1	1.9	-	2.2
20:00	US	FOMC Meeting Minutes	Jan/19		-	-	-	0.0
THURSDAY (21 February)								
08:00	DE	HICP	Jan	% m/m	0.0	-	-	-1.0
09:30	DE	Germany Manufacturing PMI	Feb	pts	0.0	-	-	49.7
09:30	DE	Markit Germany Services PMI	Feb	pts	0.0	-	-	53.0
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	50.5	-	-	50.5
10:00	EZ	Eurozone Services PMI	Feb	pts	51.4	-	-	51.2
10:00	PL	Construction Output	Jan	% y/y	5.5	9.0	-	12.2
10:00	PL	Retail Sales Real	Jan	% y/y	4.9	5.7	-	3.9
11:30	PL	Bond Switch Auction			-			
14:30	US	Durable Goods Orders	Dec	% m/m	1.65	-	-	0.7
14:30	US	Initial Jobless Claims		k	225.0	-	-	239.0
14:30	US	Index Philly Fed	Feb		14.5	-	-	17.0
16:00	US	Existing Home Sales	Jan	% m/m	0.2	-	-	-6.38
FRIDAY (22 February)								
	PL	Central Budget Cumul.	Jan	mn PLN	-	7000.0	-	-10417.8
08:00	DE	GDP WDA		% y/y	0.7	-	-	0.6
10:00	DE	IFO Business Climate	Feb	pts	99.0	-	-	99.1
11:00	EZ	HICP	Jan	% y/y	1.4	-	-	1.4
14:00	PL	Money Supply M3	Jan	% y/y	9.4	9.4	-	9.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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