

24 April 2019

Eyeopener

Apparent weakness of retail sales

Sharp changes on the bond and FX market

Zloty slightly weaker vs. euro, losses vs. USD amid lower EURUSD

Seasonal weakens of domestic retail sales

Today: in Poland, construction production, unemployment, in Germany Ifo index

The Tuesday session was marked by big changes on bond and fx markets, but the appreciation of the dollar and the rise of domestic bond yields (vs a decline on core markets) were not caused by data releases. We think market liquidity was still lower than usual after the Easter break.

The stats office revision of quarterly GDP data for 2017-2018 did not change the headline GDP prints significantly, but the breakdown of growth has been tweaked. Fixed investment growth and public consumption growth in 2018 has been revised up (by 1.4 and 1.1 pp correspondingly), while at the same time private consumption growth was reduced slightly (-0.1), together with the contribution of inventories (-0.3pp). The data did not change substantially our growth outlook for this year – we still expect the economy to slow gently, to slightly above 4% y/y on average, from last year's 5.1%. Faster-than-we-had-thought investment growth in 2018 is probably reflecting higher investment spending of the private sector, which we think should continue in the nearest quarters.

Retail sales rose 1.8% y/y in March in real terms. This is much below market consensus of 2.7% y/y, but above our 1.4% forecast. The reading is under strong influence of a calendar effect – Easter expenditures were made in April this year vs in March last year. As a result we have the lowest growth of retail sales in four years, but if we look into details, we can see strong performance of durable goods categories, which rose by 15.3% y/y after two months of growing at an already solid 8-9% y/y. This is in line with very high consumer confidence. Due to the Easter effect, non-durable goods registered a drop by 1.4% y/y. The March retail sales suggest private consumption will be supporting GDP growth this year, preventing the economy from a steeper slowdown. The retail sales deflator rose from 0.9% y/y to 1.3%, slightly more than we expected, pharmaceuticals & cosmetics and clothing & footwear categories showed the highest y/y deflator growth in more than five years..

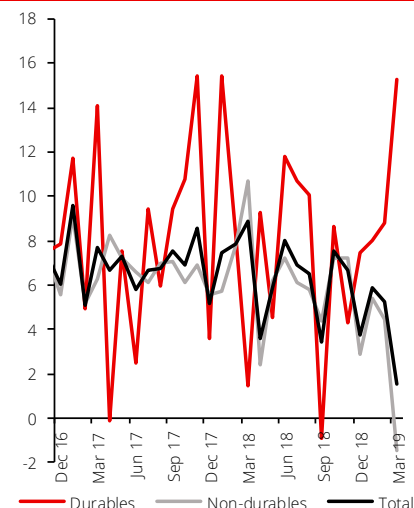
M3 money supply grew a bit faster in March than in February, 9.9% y/y vs 9.8%. Deposits rose at 9.7% y/y, the fastest since 2016, with current accounts up by almost 14% y/y. Fx-adjusted growth of loans also increased the pace of growth, to 7.2% y/y from 6.7%. Acceleration was seen mostly in corporate loans, while household loans rose at a steady pace (PLN mortgage loans at 11.4% y/y).

EURUSD was hovering around 1.125 in the first part of the day but in the afternoon the dollar started to gain sharply and the exchange rate plunged to 1.12. These changes were accompanied by fast euro depreciation vs the yen and dollar appreciation vs the Swiss franc. Last week, we saw flash German and euro zone April manufacturing PMIs. The indexes rebounded but less than the market expected and so EURUSD fell. Today the German Ifo will be released and we think there are little chances this release could help the euro recover the yesterday's losses.

EURPLN rose to 4.29 in the morning and was hovering slightly below this level later in the day. The exchange rate did not react to the afternoon plunge of EURUSD while USDPLN jumped to 3.83 from below 3.81. The zloty depreciated vs the euro fourth session in a row yesterday and we expect the Polish currency could slowly depreciate in the coming days.

On the domestic interest rate market, yields rose 1-3bp along the curve amid weakening of the Bund (in the afternoon the German bond recovered). At the Thursday's auction, the Ministry of Finance will offer bonds for PLN4-6bn (vs PLN4-8bn initially planned). We think that the maturity of OK0419 (more than PLN8bn) due this Thursday should support auction results.

Retail sales, constant prices, %y/y



Source: GUS, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.2874	CZKPLN	0.1666
USDPLN	3.8243	HUFPLN*	1.3355
EURUSD	1.1211	RUBPLN	0.0599
CHFPLN	3.7495	NOKPLN	0.4460
GBPPLN	4.9437	DKKPLN	0.5742
USDCNY	6.7220	SEKPLN	0.4078

*for 100HUF

Last session in the FX market 23/04/2019

	min	max	open	close	fixing
EURPLN	4.280	4.290	4.284	4.284	4.2886
USDPLN	3.802	3.832	3.805	3.820	3.8118
EURUSD	1.119	1.126	1.126	1.121	-

Interest rate market

23/04/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.59	2	21 mar 19	OK0521	1.633
PS0424 (5L)	2.21	1	21 mar 19	PS0424	2.209
DS1029 (10L)	2.89	2	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	1.74	2.57	-0.23
2L	1.84	2.45	-0.20
3L	1.91	2.39	-0.13
4L	2.00	2.38	-0.04
5L	2.09	2.39	0.05
8L	2.32	2.48	0.35
10L	2.44	2.55	0.54

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	1.81	0
1Y	1.87	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.72	0
3x6	1.72	0
6x9	1.74	2
9x12	1.76	1
3x9	1.79	0
6x12	1.82	1

Measures of fiscal risk

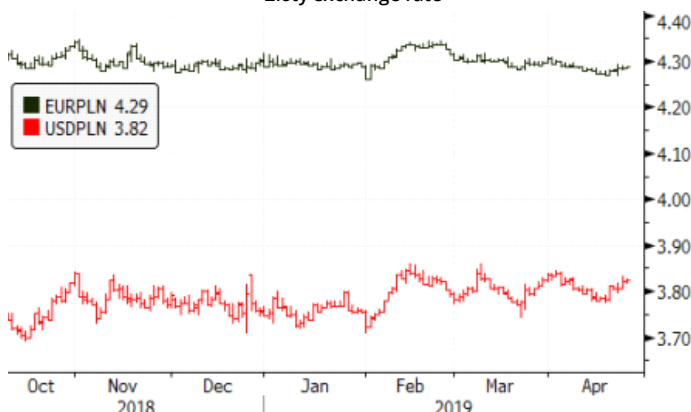
Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.87	4
France	29	-1	0.35	0
Hungary			3.18	6
Spain	58	1	1.08	0
Italy	194	6	2.64	0
Portugal	67	-1	1.16	0
Ireland	30	3	0.52	0
Germany	12	1	-	-

* 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



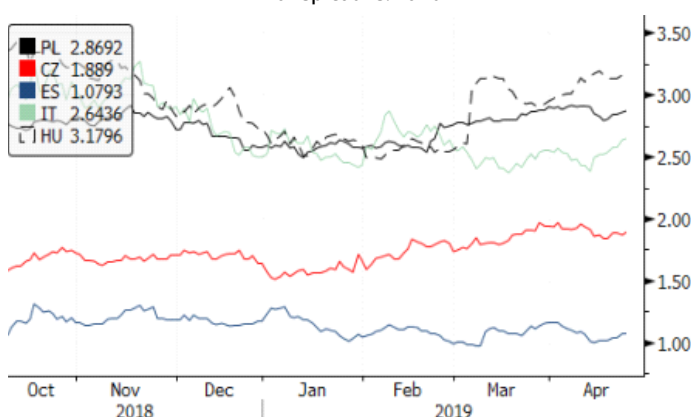
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (19 April)								
14:30	US	Housing Starts	Mar	% m/m	5.8	-	-0.3	-12.0
MONDAY (22 April)								
16:00	US	Existing Home Sales	Mar	% m/m	-3.8	-	-4.9	11.2
TUESDAY (23 April)								
10:00	PL	Retail Sales Real	Mar	% y/y	2.7	1.4	1.8	5.6
14:00	PL	Money Supply M3	Mar	% y/y	9.6	9.9	9.9	9.8
16:00	US	New Home Sales	Mar	% m/m	-3.3	-	4.5	5.9
WEDNESDAY (24 April)								
10:00	DE	IFO Business Climate	Apr	pts	99.9	-		99.6
10:00	PL	Construction Output	Mar	% y/y	9.0	10.6		15.1
10:00	PL	Unemployment Rate	Mar	%	5.9	5.9		6.1
THURSDAY (25 April)								
11:00	PL	Bond auction						
14:30	US	Durable Goods Orders	Mar	% m/m	0.5	-		-1.6
14:30	US	Initial Jobless Claims	week	k	205	-		192
FRIDAY (26 April)								
14:30	US	GDP Annualized	1Q	% Q/Q	1.8	-		2.2
16:00	US	Michigan index	Apr	pts	96.9	-		96.9

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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