

14 June 2019

Eyeopener

Decent C/A balance

Zloty still strong
Solid results of the foreign trade
Polish bonds gain amid global trade concerns
Today Polish May CPI, retail sales and consumer confidence in US

On Thursday the zloty was oscillating at strong levels reached earlier in the week, while domestic bonds gained markedly. This was a reaction to lower-than-expected import prices in the US and Donald Trump's reminder that a further escalation of trade wars is still possible. Trump also threatened to impose sanctions on companies involved in NordStream2 and warned about possible tariffs on European cars. In Poland, we got the current account statistics, which surprised to the upside.

Poland's C/A reached surplus EUR718m in April, slightly lower than we predicted and a bit above market consensus. As we expected, export growth re-accelerated to double-digit 10.3% y/y, confirming the resilience of Polish producers to weakening business climate in the euro zone. Import growth also accelerated (8.7% y/y) but was lagging behind exports. Other elements of the balance of payments were consistent with our expectations. The rolling 12-month current account balance reached merely -0.2% of GDP, according to our estimate. We think it will be impossible to maintain such low external imbalance in the coming quarters as strong consumption and investments should eventually boost imports while export growth may finally moderate amid uncertain global environment. However, any deterioration should not be dramatic. So far, the balance of payments data support expectations that GDP growth in 2Q19 may be again stronger than expected.

EURUSD went down to 1.127 from 1.13. The greenback was supported by further Trump threat's against Europe. This time the spread narrowing between the US and the German bonds did not stop the dollar appreciation. Today we will get to see important US data and in our view, after a strong rise of EURUSD recorded since end of May a more considerable reaction could be triggered by readings exceeding expectations rather than by these disappointing.

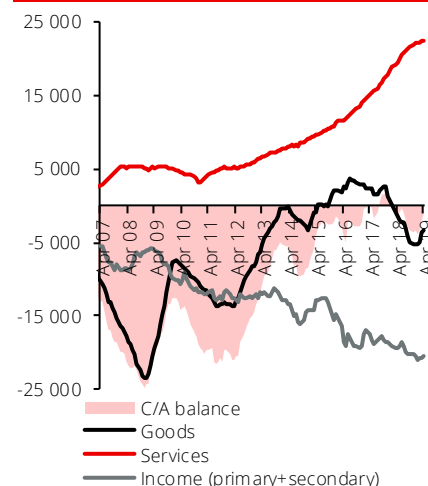
Yesterday **EURPLN** stabilised around 4.256. A positive impact of stock market gains was neutralised by the stronger dollar. The data from Poland did not affect the domestic currency. In our view, the prospects for incoming weekend will make EURPLN stay above the lowest level since August, set earlier this week.

In the case of other CEE currencies, EURHUF was moving around 322, while EURCZK dropped from 25.59 to 25.56. Besides an improved sentiment for the regional currencies, the koruna was supported by a remark by Vojtech Benda from the Czech central bank about further readiness to hike rates. USDRUB declined from 64.80 to 64.50 amid rising natural gas and oil prices, improved sentiment towards the CEE currencies, a positive budget performance (+2.7% GDP after five months) and a rise of the fx reserves. The appreciation of the ruble was not blocked by the growing expectations that today's central bank meeting will end with a rate cut.

On the domestic interest rate market, yields continued to decline in line with core markets. Domestic bond yields decreased by 3-6bp, more on the long end. The debt market was supported by the switch auction, where the Ministry of Finance sold bonds worth PLN5.7bn, of which PLN4.4bn were fixed income papers, mostly 5Y and 10Y. At the start of the Friday session, Bunds and Treasuries yields are going down by c2bp, which may positively affect Polish debt as trading begins.

The final CPI for May to be released today is unlikely to surprise, but it may help us estimate core inflation more precisely (currently we assume it either stayed at 1.7% y/y or declined to 1.6% y/y).

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



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.2535	CZKPLN	0.1665
USDPLN	3.7695	HUFPLN*	1.3208
EURUSD	1.1284	RUBPLN	0.0584
CHFPLN	3.7962	NOKPLN	0.4344
GBPPLN	4.7771	DKKPLN	0.5696
USDCNY	6.9230	SEKPLN	0.3975

*for 100HUF

Last session in the FX market 13/06/2019

	min	max	open	close	fixing
EURPLN	4.254	4.262	4.257	4.255	4.261
USDPLN	3.765	3.778	3.768	3.774	3.7736
EURUSD	1.127	1.130	1.130	1.128	-

Interest rate market 13/06/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0521 (2L)	1.56	-5	21 mar 19	OK0521	1.633
PS0424 (5L)	1.97	-4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.44	-6	21 mar 19	DS1029	2.877

IRS on the interbank market**

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	-1	2.11	-4	-0.30	0
2L	1.74	-2	1.89	-4	-0.32	-1
3L	1.75	-3	1.83	-3	-0.29	-1
4L	1.79	-4	1.83	-3	-0.23	0
5L	1.84	-5	1.85	-3	-0.16	0
8L	2.00	-6	1.97	-3	0.09	-1
10L	2.11	-7	2.06	-3	0.26	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.56	1
T/N	1.56	1
SW	1.56	-1
2W	1.60	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.86	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.72	0
3x6	1.71	-1
6x9	1.71	-1
9x12	1.68	-1
3x9	1.78	-2
6x12	1.77	-1

Measures of fiscal risk

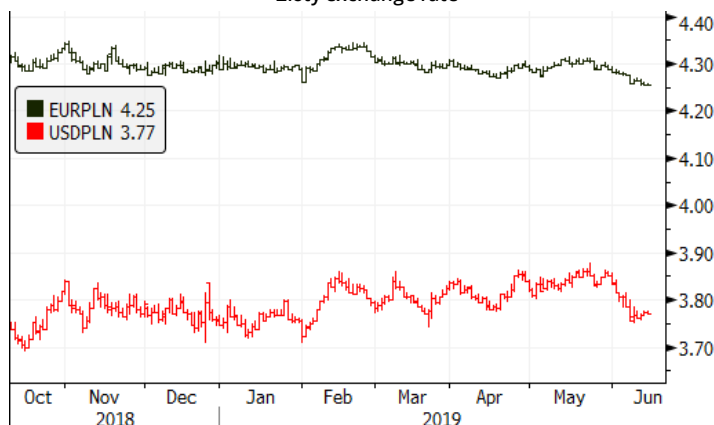
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.70 -4
France	28 -1	0.35 0
Hungary		3.05 2
Spain	42 -1	0.78 0
Italy	221 -1	2.60 1
Portugal	49 -1	0.88 0
Ireland	29 2	0.55 0
Germany	12 0	- -

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

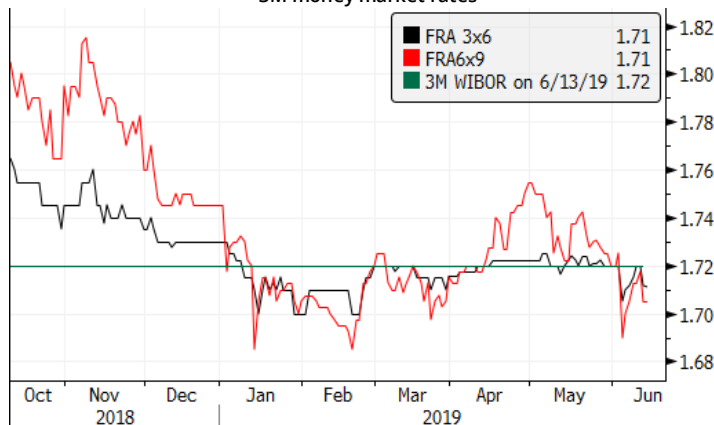
Zloty exchange rate



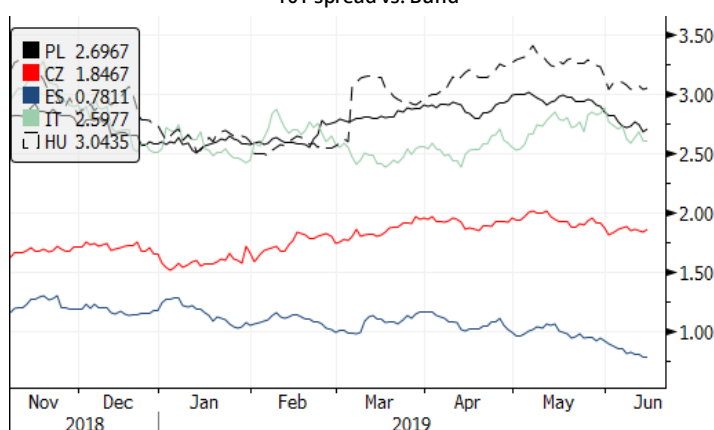
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (7 June)								
08:00	DE	Exports SA	Apr	% m/m	-0.9	-	-3.7	1.6
08:00	DE	Industrial Production SA	Apr	% m/m	-0.5	-	-1.9	0.5
09:00	HU	CPI	May	% y/y	3.9	-	3.9	3.9
14:30	US	Change in Nonfarm Payrolls	May	k	180	-	75	224
14:30	US	Unemployment Rate	May	%	3.6	-	3.6	3.6
MONDAY (10 June)								
No important events								
TUESDAY (11 June)								
09:00	CZ	CPI	May	% y/y	2.8	-	2.9	2.8
WEDNESDAY (12 June)								
14:30	US	CPI	May	% m/m	0.1	-	0.1	0.3
THURSDAY (13 June)								
11:00	EZ	Industrial Production	Apr	% m/m	-0.5	-	-0.5	-0.3
14:00	PL	Current Account Balance	Apr	€mn	595	944	718	533
14:00	PL	Trade Balance	Apr	€mn	425	499	279	589
14:00	PL	Exports	Apr	€mn	19 517	19 430	19 440	19 654
14:00	PL	Imports	Apr	€mn	19 104	18 931	19 161	19 065
14:30	US	Initial Jobless Claims	week	k	215	-	222	218
FRIDAY (14 June)								
10:00	PL	CPI	May	% y/y	2.3	2.3		2.2
14:30	US	Retail Sales Advance	May	% m/m	0.6	-		-0.2
15:15	US	Industrial Production	May	% m/m	0.2	-		-0.5
16:00	US	Flash Michigan index	Jun	pts	97.0	-		100.0

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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