

27 June 2019

Eyeopener

Improvement in foreign orders

Strong growth of foreign orders in Polish industry
 Trump weakened the dollar with further criticism of Fed
 EURPLN rose together with the short end of USD yield curve
 Today ESI indicators and German flash HICP inflation

On Wednesday we got to see the new Statistical Bulletin showing signs of improvement in foreign demand and of a stabilisation in domestic industrial orders. At the same time, industrial orders confirmed that the wage pressure remained strong. In the USA the industrial orders surprised to the downside, while Donald Trump was still calling for a looser monetary policy. Moreover, there were suggestions of new tariffs on Chinese exports to the USA, while the market is now hoping for the Xi-Trump meeting scheduled for Saturday to bring a freeze in the tariff imposing actions. The greenback weakened, while global and local yields went up. EURPLN also jumped, reacting negatively to higher short USD FRA rates. The relief was also visible in the Japanese yen depreciation and lower gold prices. Market sentiment was also improved by information that the ECB is mulling how to circumvent current single issuer exposition limits in case the QE programme is revived. The Czech central bank decided to maintain rates unchanged and issued a fairly neutral statement suggesting no changes in the monetary policy in one year's horizon.

The **GUS Statistical Bulletin for May** showed that there was a strong acceleration of foreign new orders from c10% y/y to 20.2%. Domestic orders were also growing decently as the total went up by 18.3%. Since the turn of the year domestic orders grew faster than foreign ones, the gap in their growth rates seems to be closing now. This suggests the underperformance of the euro zone economy may continue to have a limited impact on Polish industry. The slightly larger than expected slowdown in corporate employment was broad based. Wages ex mining rose from 7.0% to 7.7% y/y, the highest level so far in this cycle (such pace was previously seen in 2009), acceleration mostly in construction sector and 'administrative and supportive services' (a low-skilled category, which also saw a relatively big 0.7% m/m drop of employment). Consumer inflation expectations are still rising, but remain below the peak from the turn of the year when households feared there will be no freeze of electricity prices.

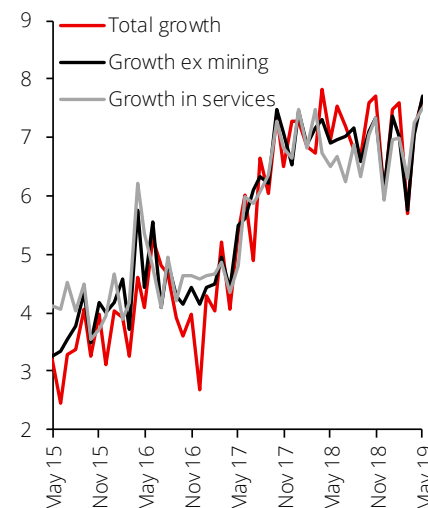
On Wednesday **EURUSD** climbed from 1.1360 to 1.1380 due to Donald Trump's comments on the Fed's policy and weaker US industry data. Suggestions concerning US tariffs on Chinese exports did not influence the dollar's weakening. Today we are expecting a release of initial June HICP data from Germany which might strengthen the dollar vs the euro, albeit in general the relief on the markets should rather be favourable for the euro.

On Wednesday **EURPLN** rose from 4.2550 to 4.2600, hitting 4.2660 along the way, on the back of the rise of short-end of the US yield curve. The weakening dollar did not prevent the move. Improved risk appetite may help the zloty cover yesterday's loss, while German HICP is a risk factor.

Among the **CEE currencies**, EURHUF was hovering between 323.30 and 323.60. After Tuesday's drop to 25.46, EURCZK temporarily increased to 25.50, only to return to the opening levels at the end of the day. The currency volatility was triggered by the central bank's neutral communique about keeping interest rates at current level, while some market participants were expecting rate hikes. USDRUB rose from 62.80 to 63.00, fuelled by rising short-term USD FRAs. The ruble weakening was not stopped by rising prices of crude oil.

Yields of **domestic bonds and IRS rates** rebounded after two days of decline, following core markets. As a result, domestic yield curve moved up by 4-5bp, while IRS curve by 3bp, amid nervous trade. Today we expect slight downward correction of yields due to possibly weaker data from Germany..

Wages in the corporate sector, %y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2604	CZKPLN	0.1675
USDPLN	3.7508	HUFPLN*	1.3166
EURUSD	1.1358	RUBPLN	0.0594
CHFPLN	3.8243	NOKPLN	0.4410
GBPPLN	4.7553	DKKPLN	0.5707
USDCNY	6.8803	SEKPLN	0.4043

*for 100HUF

Last session in the FX market 26/06/2019

	min	max	open	close	fixing
EURPLN	4.254	4.266	4.256	4.261	4.2642
USDPLN	3.738	3.757	3.746	3.743	3.754
EURUSD	1.134	1.139	1.136	1.138	-

Interest rate market 26/06/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0721 (2L)	1.58	6	21 mar 19	OK0521	1.633
PS0424 (5L)	1.95	4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.34	4	21 mar 19	DS1029	2.877

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	1	2.00	4	-0.36	0
2L	1.75	1	1.78	5	-0.37	1
3L	1.76	2	1.73	5	-0.33	1
4L	1.80	3	1.73	5	-0.28	1
5L	1.86	3	1.75	5	-0.20	2
8L	2.01	3	1.88	4	0.04	2
10L	2.10	3	1.96	4	0.21	2

WIBOR rates

Term	%	Change (bps)
O/N	1.55	-1
T/N	1.55	-1
SW	1.56	0
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	1.72	0
6x9	1.71	0
9x12	1.69	1
3x9	1.79	0
6x12	1.78	0

Measures of fiscal risk

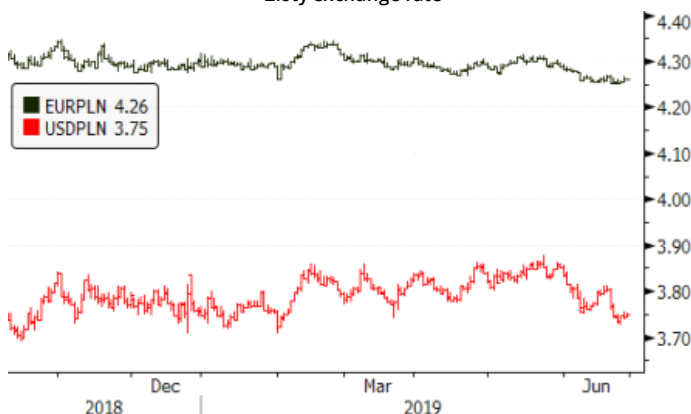
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.64 3
France	25 0	0.32 0
Hungary		2.94 -1
Spain	40 -2	0.69 0
Italy	199 -2	2.44 -1
Portugal	44 2	0.77 0
Ireland	28 1	0.50 0
Germany	12 0	- -

* 10Y treasury bonds over 10Y Bunds

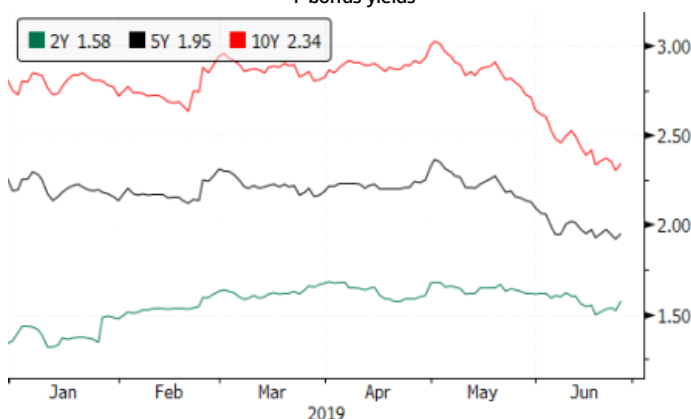
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

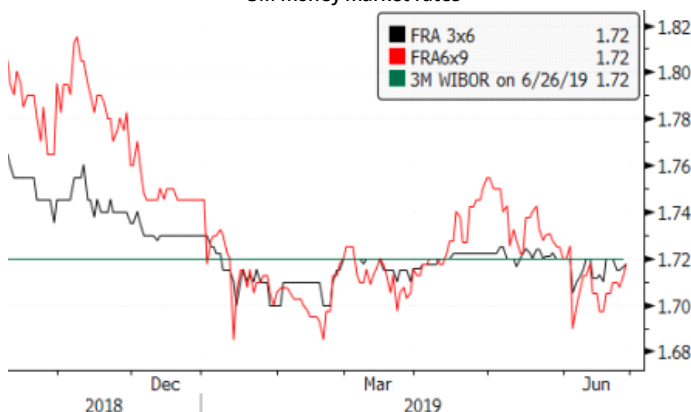
Zloty exchange rate



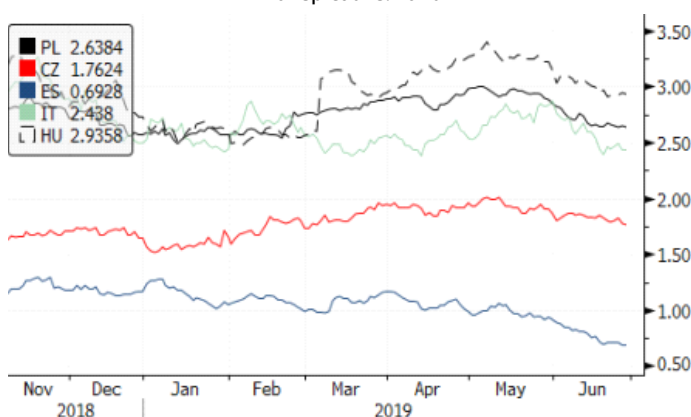
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar:

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (21 June)								
09:30	DE	Germany Manufacturing PMI	Jun	pts	44.6		45.4	44.3
09:30	DE	Markit Germany Services PMI	Jun	pts	55.2		55.6	55.4
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	48.0		47.8	47.7
10:00	EZ	Eurozone Services PMI	Jun	pts	52.95		53.4	52.9
10:00	PL	Sold Industrial Output	May	% y/y	7.5	8.7	7.7	9.2
10:00	PL	PPI	May	% y/y	1.6	1.5	1.4	2.6
16:00	US	Existing Home Sales	May	% m/m	2.12		2.5	-0.4
MONDAY (24 June)								
10:00	DE	IFO Business Climate	Jun	pts	97.45		97.4	97.9
10:00	PL	Construction Output	May	% y/y	14.0	16.6	9.6	17.4
10:00	PL	Retail Sales Real	May	% y/y	6.9	6.5	5.6	11.9
TUESDAY (25 June)								
14:00	HU	Central Bank Rate Decision	Jun.19	%	0.9		0.9	0.9
14:00	PL	Money Supply M3	May	% y/y	10.1	9.7	9.9	10.4
16:00	US	Consumer Conference Board	Jun	pts	131.0		121.5	134.1
16:00	US	New Home Sales	May	% m/m	1.8		-7.8	-6.9
WEDNESDAY (26 June)								
10:00	PL	Unemployment Rate	May	%	5.4	5.4	5.4	5.6
13:00	CZ	Central Bank Rate Decision	Jun.19		2.0		2.0	2.0
14:30	US	Durable Goods Orders	May	% m/m	-0.3		-1.3	-2.1
THURSDAY (27 June)								
11:00	EZ	ESI	Jun	pct.	104.7		-	105.1
11:30	PL	Bond Switch Auction			-			
14:00	DE	HICP	Jun	% m/m	0.1		-	0.3
14:30	US	GDP Annualized	1Q	% Q/Q	3.2		-	3.1
14:30	US	Initial Jobless Claims	Jun.19	k	219.0		-	216.0
16:00	US	Pending Home Sales	May	% m/m	1.0		-	-1.5
FRIDAY (28 June)								
09:00	CZ	GDP SA	1Q	% y/y	2.6		-	2.6
10:00	PL	CPI	Jun	% y/y	2.4	2.5	-	2.4
11:00	EZ	Flash HICP	Jun	% y/y	1.2		-	1.2
14:30	US	Personal Spending	May	% m/m	0.5		-	0.3
14:30	US	Personal Income	May	% m/m	0.3		-	0.5
14:30	US	PCE Deflator SA	May	% m/m	0.2		-	0.3
16:00	US	Michigan index	Jun	pts	97.9		-	97.9

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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