

24 September 2019

# Eyeopener

## PLN hit by weak data from Europe

Disappointing data from the euro zone

Zloty weakening by most in the CEE region, EURUSD down

Polish bonds do not benefit from strengthening abroad

Today German Ifo, US consumer confidence and central bank decision in Hungary

The most influential factor of yesterday's session were flash manufacturing and services PMIs for September covering the euro zone. After the manufacturing indexes stopped descending or even went slightly up in August, the markets expected that also in September the situation did not worsen much. The data disappointed and manufacturing PMIs set new multi-month minima. As a result, bond yields and European stock exchange indices decreased, the euro weakened vs the dollar and emerging market currencies depreciated. No symptoms of a rebound was also stressed yesterday by the ECB president.

**Legal issues regarding mortgage loans in foreign currencies** were indicated by KSF-M (Polish financial stability body) and Moody's as one of the main risk factor for the Polish banking sector. Moody's estimated the potential financial losses at 1.5x annual profit of the sector.

**EURUSD** fell yesterday for a second day in a row because of weaker than expected data from euro area and traded as low as 1.0960. Today the pair trades at 1.099 and we think it may trade in the vicinity of yesterday's low awaiting today's US consumer confidence data.

**EURPLN** and **USDPLN** both abruptly spiked to 4.40 (near the local maximum set in mid-August) and above 4.00 (highest since April 2017), respectively. The zloty has also lost against the Swiss franc (CHFPLN temporarily above 4.04) and the British pound (GBPPLN reached 4.98). Yesterday forint set another all-time low vs the euro (EURHUF briefly traded above 335) while vs Friday's close was the worst performing CEE currency (the zloty being the second worst). The ruble was the best performing currency thanks to slightly higher oil prices. Yesterday EURPLN did not manage to break above 4.40 but we think it will remain close to this level awaiting the ECJ ruling.

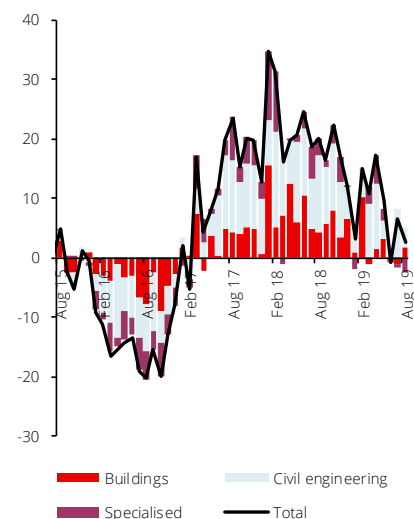
**On the Polish fixed income market** we saw a widening of the asset swap spread and of the 10Y spread vs Bund. Polish debt has not rallied after weaker eurozone data as German, US, periphery debt or Polish swaps have. As a result the 10Y spread vs Bund rose to 264bp from 255bp, highest since the mid of August.

**Construction output** slowed to 2.7% y/y in August from 6.6% y/y in July, more or less in line with expectations. Slower growth rate was observed in specialised construction (-10.3% y/y versus -2.8% y/y in July) and civil engineering (7.7% y/y vs 19.9% y/y), while construction of buildings rebounded to 5.9% y/y from -3.9% y/y, in our view mostly thanks to strong tendencies in the housing sector. We think that the sector will paint a similar picture in the months to come, as slowing public investment will undermine civil engineering and specialised construction, while strong demand for houses will continue. The data are in line with slowing GDP growth in Poland. We are expecting GDP growth to reach 4.0% y/y in 4Q19 as compared to 4.5% y/y in 2Q19.

In August, **the construction of residential buildings** strengthened further. Works on 17.7k new flats were finished, compared to 16.4k a year ago (+8.1% y/y), and the 12-month sum at 197.1k flats is the new record of activity (the data go back to early 90s). The number of building permits on a 12-month sum is at the highest level ever after somewhat weaker 1H19. The difference between housing starts and completions is still highly positive but falling for five months. This early signal of softening of the housing market is confirmed by the reported numbers of flats under construction, which in 4Q18 and 1Q19 recorded a growth rate of c5% y/y by since then slowed down to 3.4%, the lowest in two years. While the central bank research on housing market suggested the rapid rise of prices is already reducing the demand, it does not seem to be a quick process. Housing construction should be a mitigating factor total investment growth (9% y/y in 2Q) which we see going down this quarter and in the following periods.

**M3 money supply** rose 9.9% y/y in August, a bit less than we expected. FX adjusted money growth reached 9.4% y/y, versus 9.8% in July. Households' deposits were still growing at 11% y/y and companies' deposits slowed from 8.1% to 6.5% y/y. PLN-denominated consumer loans and mortgages maintained a solid pace (9.6% and 12% y/y, respectively), while loans for companies rose 6.2% y/y vs. 5.4% in July and 7% average in 1Q19.

Polish construction output (% y/y)



Source: GUS, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 22 534 18 87  
 Marcin Łuziński +48 22 534 18 85  
 Wojciech Mazurkiewicz +48 22 534 18 86  
 Grzegorz Ogonek +48 22 534 19 23  
 Marcin Sulewski, CFA +48 22 534 18 84

## FX market

### Today's opening

EURPLN	4.3875	CZKPLN	0.1695
USDPLN	3.9925	HUFPLN*	1.3088
EURUSD	1.0989	RUBPLN	0.0625
CHFPLN	4.0305	NOKPLN	0.4415
GBPPLN	4.9631	DKKPLN	0.5876
USDCNY	7.1105	SEKPLN	0.4110

\*for 100HUF

### Last session in the FX market 23/09/2019

	min	max	open	close	fixing
EURPLN	4.371	4.397	4.374	4.391	4.3891
USDPLN	3.965	4.010	3.972	3.997	3.9983
EURUSD	1.097	1.103	1.101	1.099	-

## Interest rate market 23/09/2019

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.45	-1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.80	-1	21 mar 19	PS0424	2.209
DS1029 (10L)	2.04	1	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	1.71	0	1.86	-3	-0.41	-2
2L	1.72	-1	1.65	-3	-0.44	-3
3L	1.69	-2	1.57	-3	-0.44	-3
4L	1.68	-2	1.53	-3	-0.40	1
5L	1.69	-2	1.51	-3	-0.37	0
8L	1.68	-3	1.53	-4	-0.23	-1
10L	1.69	-3	1.57	-4	-0.12	-1

### WIBOR rates

Term	%	Change (bps)
O/N	1.63	0
T/N	1.63	0
SW	1.59	-1
2W	1.60	0
1M	1.63	0
3M	1.72	0
6M	1.79	0
9M	1.80	0
1Y	1.84	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.72	0
3x6	1.71	0
6x9	1.69	0
9x12	1.66	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			2.62	6
France	21	-1	0.29	-1
Hungary			2.46	-2
Spain	42	-1	0.73	-3
Italy	135	1	1.41	-3
Portugal	43	-1	0.75	-2
Ireland	35	-3	0.54	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

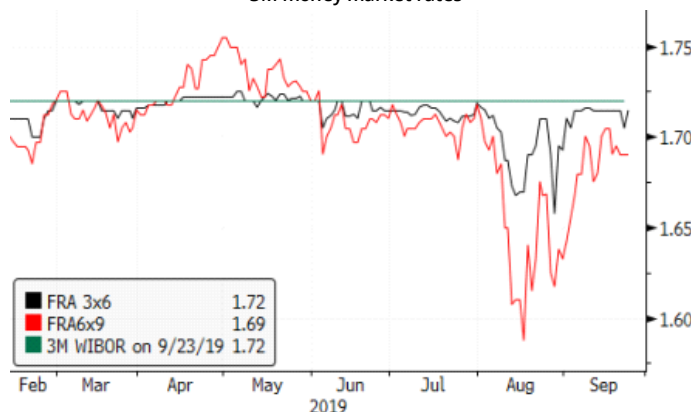
## Zloty exchange rate



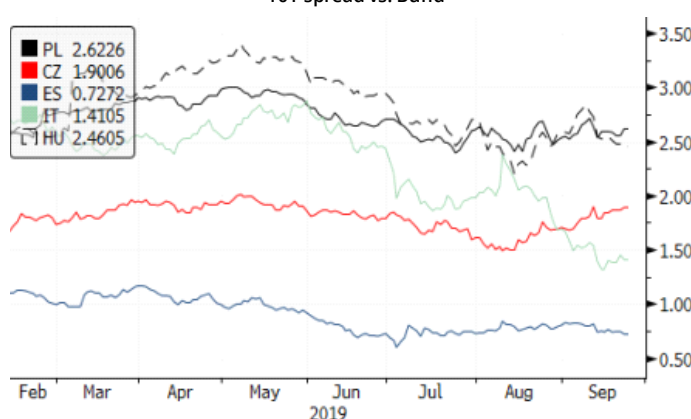
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (20 September)								
10:00	PL	Retail Sales Real	Aug	% y/y	5.25	4.4	4.4	5.7
MONDAY (23 September)								
09:30	DE	Flash Germany Manufacturing PMI	Sep	pts	44.3	-	41.4	43.5
09:30	DE	Flash Markit Germany Services PMI	Sep	pts	54.3	-	52.5	54.8
10:00	EZ	Flash Eurozone Manufacturing PMI	Sep	pts	47.3	-	45.6	47.0
10:00	EZ	Flash Eurozone Services PMI	Sep	pts	53.3	-	52.0	53.5
10:00	PL	Construction Output	Aug	% y/y	1.9	3.9	2.7	6.6
14:00	PL	Money Supply M3	Aug	% y/y	10.0	10.1	9.9	9.9
TUESDAY (24 September)								
10:00	DE	IFO Business Climate	Sep	pts	94.5	-		94.3
10:00	PL	Unemployment Rate	Aug	%	5.2	5.2		5.2
14:00	HU	Central Bank Rate Decision		%	0.9	-		0.9
16:00	US	Consumer confidence index	Sep	pts	133.0	-		135.1
WEDNESDAY (25 September)								
13:00	CZ	Central Bank Rate Decision		%	2.0	-		2.0
16:00	US	New Home Sales	Aug	% m/m	2.84	-		-12.8
THURSDAY (26 September)								
14:00	PL	MPC minutes						
14:30	US	GDP Annualized	2Q	% q/q	2.0	-		2.0
14:30	US	Initial Jobless Claims	week	k	213	-		208
16:00	US	Pending Home Sales	Aug	% m/m	0.95	-		-2.5
FRIDAY (27 September)								
11:00	EZ	ESI	Sep	pct.	103.0	-		103.1
14:30	US	Durable Goods Orders	Aug	% m/m	-1.15	-		2.0
14:30	US	Personal Spending	Aug	% m/m	0.3	-		0.6
14:30	US	Personal Income	Aug	% m/m	0.4	-		0.1
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	-		0.2
16:00	US	Michigan index	Sep	pts	92.1	-		92.0

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a 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, http://www.santander.pl.