

15 November 2019

Eyeopener

GDP growth already below 4%

Trade deal news drive the market
 Polish GDP decelerates more than expected
 EURPLN slightly down, EURUSD stable
 Polish bonds supported by lower core yields
 Today Poland core CPI, abroad important US data

On Thursday European stock indices fell on the news that US-China talks progress slower due to agricultural goods issue. Core market yields, as well as Polish yields, fell. Chilean and Colombian pesos weakened by about 1%, while rand and rouble gained 0.5%. Today on the open the European stock indices rise after Larry Kudlow, economic adviser to the president Trump, said yesterday that US and China are close to reaching an agreement.

GDP growth slowed to 3.9% y/y in 3Q19 versus 4.6% y/y in 2Q19, according to flash estimate. The slowdown was a bit more pronounced than we expected (4.1% y/y), but data from 1H was revised upwards, so our forecast for the entire year remains intact (4.3%). **Final reading of October CPI** confirmed a decline of inflation to 2.5% y/y from 2.6%. We believe by the end of the year inflation should rebound to almost 3% y/y. The data is supporting the MPC strategy of stable rates. Find more in our [Economic comment](#).

A new draft bill on tobacco and alcohol excise duties was put forward in the Sejm. The draft assumes the lump-sum excise to go up by 10% and the percentage excise duty on tobacco to go up to 32.05% from 31.41%. In our view, this move will increase average prices in this category by 4% in 2020 (with effect appearing gradually in 1Q20), which will add 0.25pp to headline CPI. The draft assumes the hike to yield PLN1.7bn for the state budget. The earlier proposal, put in the draft budget bill, assumed the excise duties to rise by 3% and yield PLN1.1bn.

Results of Monetary Policy Council vote from 2 October 2019 showed that the motion to cut rates by 25bps was supported only by Eryk Łon.

EURUSD was stable around 1.10 which was most likely caused by expiration of a large fx option, which temporarily reduced volatility of the exchange rate. It seems that the option has already expired, as EURUSD went to 1.103 in the evening. This afternoon there will be US data releases. Positive news about the trade deal may support the US currency ahead of these readings. On a weekly basis the exchange rate is very stable.

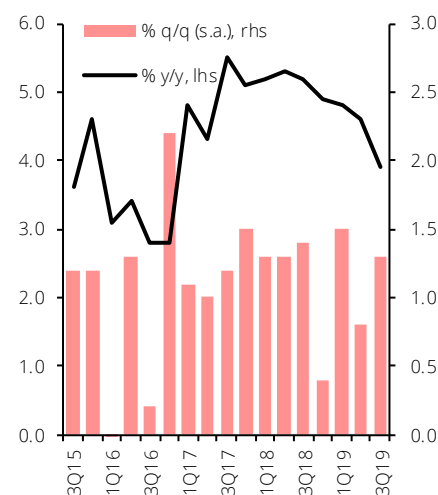
EURPLN did not undergo big changes during the day, despite the publications on GDP and inflation. The exchange rate did not deviate far from 4.29, possibly due to the EURUSD stability. EURPLN closed at 4.288, USDPLN at 3.897, CHFPLN at 3.938, GBPPLN at 5.00. Today at the opening the mood is positive, but so far there is no sign of any reaction of the zloty to improved risk appetite.

In the case of other CEE currencies, EURCZK and EURHUF were again quite stable, around 25.55 and 333.9 respectively. The ruble strengthened significantly – the ruble basket rose by 0.5% to 66.9 and USDRUB to 64.0. The central bank of Russia informed that inflation in 2020 may temporarily fall below 3.0% and the current year may close at 3.2%.

On the Polish fixed income market yields were falling for another day and followed closely core market yields. Polish 10Y fell to 2.06%, by 3bp, while 10Y IRS fell to 1.84%, also by 3bp. Thanks to stable short-end of the curves, the curves flattened by the same amount to, respectively, 69bp and 10bp. The Bund and US Treasuries 10Y yields fell by c5bp. Asset swap unchanged at 22bp. The 10Y spread vs Bund widened 1bp to 240bp.

Regarding incoming data, today we will know October HICP in the eurozone, core inflation in Poland as well as industrial production and retail sales in the US.

GDP growth in Poland



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2817	CZKPLN	0.1673
USDPLN	3.8854	HUFPLN*	1.2812
EURUSD	1.1020	RUBPLN	0.0609
CHFPLN	3.9269	NOKPLN	0.4249
GBPPLN	5.0042	DKKPLN	0.5730
USDCNY	7.0092	SEKPLN	0.4016

*for 100HUF

Last session in the FX market 14/11/2019

	min	max	open	close	fixing
EURPLN	4.283	4.297	4.289	4.287	4.2916
USDPLN	3.889	3.908	3.899	3.891	3.9011
EURUSD	1.099	1.102	1.100	1.102	-

Interest rate market 14/11/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.38	0	21 mar 19	OK0521	1.633
PS1024 (5L)	1.77	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.06	-3	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	1.70	0	1.73	-4	-0.34	0
2L	1.74	0	1.62	-6	-0.34	0
3L	1.74	-1	1.58	-7	-0.32	0
4L	1.75	-1	1.58	-7	-0.28	-1
5L	1.77	-2	1.58	-8	-0.23	-2
8L	1.83	-2	1.65	-8	-0.06	-3
10L	1.84	-2	1.71	-8	0.10	-4

WIBOR rates

Term	%	Change (bps)
O/N	1.59	0
T/N	1.60	0
SW	1.59	0
2W	1.60	0
1M	1.63	0
3M	1.71	0
6M	1.79	0
9M	1.80	0
1Y	1.84	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.71	0
3x6	1.70	0
6x9	1.68	0
9x12	1.65	0
3x9	1.78	0
6x12	1.76	0

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.39	-5
France	19	1	0.33	0
Hungary			2.34	1
Spain	37	3	0.80	-1
Italy	127	12	1.65	-2
Portugal	37	2	0.71	-1
Ireland	26	1	0.39	-6
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

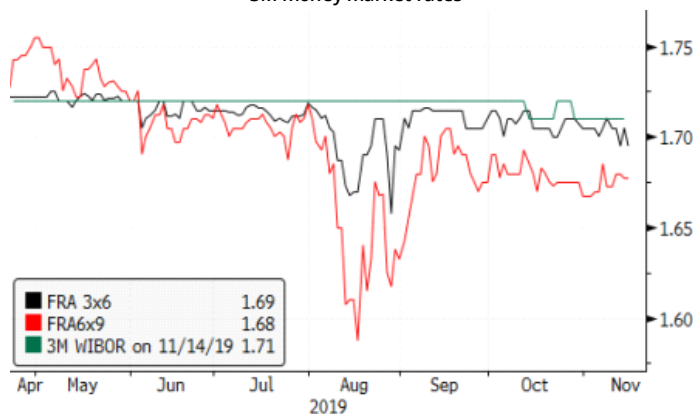
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar:

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (8 November)								
08:00	DE	Exports SA	Sep	% m/m	0.3	-	1.5	-1.8
09:00	HU	Industrial Production SA	Sep	% y/y	5.4	-	9.0	2.7
09:00	HU	CPI	Oct	% y/y	2.8	-	2.9	2.8
16:00	US	Michigan index	Nov	pts	95.5	-	95.7	95.5
MONDAY (11 November)								
09:00	CZ	CPI	Oct	% y/y	2.7	-	2.7	2.7
TUESDAY (12 November)								
11:00	DE	ZEW Survey Current Situation	Nov	pts	-22.3		-24.7	-25.3
WEDNESDAY (13 November)								
08:00	DE	HICP	Oct	% m/m	0.1	-	0/1	0.1
11:00	EZ	Industrial Production SA	Sep	% m/m	-0.2	-	0.1	0.4
14:00	PL	Current Account Balance	Sep	€mn	-219	-1 224	+171	-657
14:00	PL	Trade Balance	Sep	€mn	7.5	-366	+468	-104
14:00	PL	Exports	Sep	€mn	19 291	19 049	19279	17 646
14:00	PL	Imports	Sep	€mn	19 265	19 415	18811	17 701
14:30	US	CPI	Oct	% m/m	0.3	-	0.4	0.0
THURSDAY (14 November)								
08:00	DE	GDP WDA	3Q	% y/y	0.5	-	0.5	0.3
09:00	CZ	GDP SA	3Q	% y/y	2.6	-	2.5	2.8
09:00	HU	GDP	3Q	% y/y	4.2	-	5.0	4.9
10:00	PL	CPI	Oct	% y/y	2.5	2.5	2.5	2.5
10:00	PL	GDP	3Q	% y/y	4.1	4.1	3.9	4.6
11:00	EZ	GDP SA	3Q	% y/y	1.1	-	1.2	1.1
14:30	US	Initial Jobless Claims	week	k	215	-	225	211
FRIDAY (15 November)								
11:00	EZ	HICP	Oct	% y/y	0.7	-		0.7
14:00	PL	CPI Core	Oct	% y/y	2.5	2.4		2.4
14:30	US	Retail Sales Advance	Oct	% m/m	0.15	-		-0.3
15:15	US	Industrial Production	Oct	% m/m	-0.3	-		-0.39

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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