

27 November 2019

# Eyeopener

## Today important US data

Weaker moods on the emerging markets

EURUSD stable, bond yields down

Zloty weakening gradually

Today unemployment rate in Poland, a bunch of US data

On Tuesday main stock indices in developed markets (SP500, Eurostoxx) did not change much, but emerging market equities fared worse, following LatAm region, where negative sentiment keeps building due to weak data (e.g. Mexican GDP) and worsening social unrest; this is also undermining local currencies. 10Y core market bond yields dropped by 3bp. Brent oil rose c.1% and precious metals prices were also going up.

In October, **M3 money supply** rose by 9.3% y/y while the market expected a decline from 9.4% y/y to 9.0%. Cash in circulation rose 10.9% y/y which is one of the weakest results this year. The growth of deposits fell from 9.9% y/y to 9.3%, with household deposits going from 11.1% y/y to 10.2% (the lowest reading this year) and corporate deposits accelerating from 7.7% y/y to 9.6% (the highest reading in more than three years). The rise of deposits is still based on current accounts (+14.6% y/y) while term deposits barely moved y/y (+0.6%). On the credit side (corrected for fx movements) we saw growth by 6.1% y/y, up from 6.0%. Corporate credit growth showed a small rebound in October to 4.6% y/y, having dropped in September to the lowest level in more than two years. Household loans grew by 6.8% y/y which is the strongest pace in almost eight years. This is due to consumer loans that keep growing at 9%+ y/y and dynamic rise of the volume of PLN-denominated housing loans (+12.4% y/y, the highest in four years). In 2H19 we can also see increased use of credit cards (this loan category grew by 7.5% y/y, the highest in nine years). On the one hand the very low rates environment is causing a quick rise of household credit, on the other hand the poor global growth outlook is decreasing corporate credit demand. As a result, total credit is growing at a similar rate to nominal GDP.

**MPC's Eryk Łon** called again for considering interest rate cuts in Poland, as in his view arguments for easing will strengthen in time. He pointed that for about a year the PMI index suggests contraction in manufacturing and there are first signs of worsening moods of consumers. We think that if next data releases keep disappointing, Łon's proposals to cut rates may get a bit bigger support in the MPC. However, it seems unlikely that it will be big enough to trigger a policy easing this or next year. On the other end of the spectrum, **Kamil Zubelewicz** said that interest rates should be higher and he would support a rate hike by 15bp if there is another person in the MPC willing to vote the same way. He believes that a rate hike would prevent a bubble in the housing market, while a cut would not stimulate the economy as the cost of credit is not the barrier for investments.

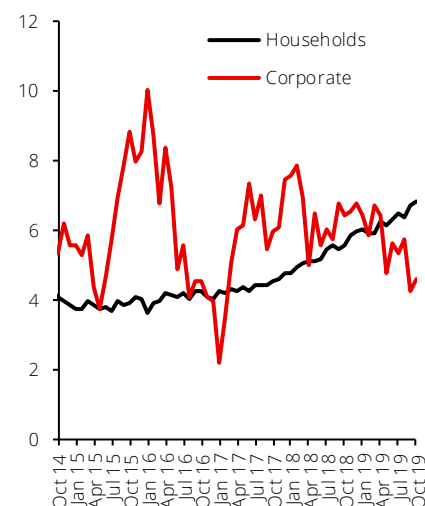
**EURUSD** traded for another day with low volatility – both open and close levels in the vicinity of 1.101 – with a really small amplitude of 0.15% and this even despite US data: new home sales (best 2mth reading since many years) and Conference Board consumer confidence.

In a day where EM currencies generally were losing, **EURPLN** has been rising at a slow pace breaching 4.30 and closing at 4.304. USDPLN closed at 3.907, CHFPLN at 3.92 while GBPPLN at 5.025. In the coming days we expect a further gradual weakening of the zloty, so EURPLN is likely to reach 4.23, in our view. As to the **other CEE currencies**: the forint closed unchanged versus the euro at 336.2, but during the day printed another all-time high at 337.25. EURCZK remained unchanged and traded around 25.51, while USDRUB rose by 0.2% and closed at 64.0.

On the **Polish fixed income market** bond yields were falling following the core markets, but the move was more pronounced. For example, yields of 10Y German and US bonds fell by 3bp, while that of Polish 10Y by 6bp. As a result, the spread vs Bund narrowed to 237bp. Moreover the Polish bond curve flattened by 5bp to 61bp. The swap curve moved almost in parallel to the bond curve hence asset swaps remained roughly unchanged.

**Today** in Poland there is unemployment data and Statistical Bulletin, while in the US a handful of data like durable goods orders, GDP, initial jobless claims, pending home sales, personal income and personal spending, PCE deflator as well as the Beige Book.

Credit growth, % y/y, corrected for FX



Source: NBP, Santander

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## FX market

### Today's opening

EURPLN	4.3057	CZKPLN	0.1689
USDPLN	3.9101	HUFPLN*	1.2813
EURUSD	1.1012	RUBPLN	0.0611
CHFPLN	3.9162	NOKPLN	0.4261
GBPPLN	5.0206	DKKPLN	0.5762
USDCNY	7.0267	SEKPLN	0.4078

\*for 100HUF

### Last session in the FX market 26/11/2019

	min	max	open	close	fixing
EURPLN	4.296	4.308	4.298	4.305	4.2999
USDPLN	3.900	3.912	3.905	3.907	3.9039
EURUSD	1.101	1.103	1.101	1.102	-

## Interest rate market 26/11/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.37	-2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.72	-5	21 mar 19	PS0424	2.209
DS1029 (10L)	1.99	-6	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	1.69	-1	1.73	-2	-0.35	0
2L	1.69	-2	1.59	-2	-0.34	0
3L	1.67	-2	1.54	-2	-0.32	-1
4L	1.65	-4	1.53	-2	-0.28	-1
5L	1.65	-5	1.53	-2	-0.24	-1
8L	1.68	-5	1.59	-2	-0.07	-2
10L	1.70	-6	1.65	-2	0.05	-2

### WIBOR rates

Term	%	Change (bps)
O/N	1.60	1
T/N	1.60	1
SW	1.58	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	-1
9x12	1.63	-1
3x9	1.78	-1
6x12	1.77	-1

### Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.36	-6
France	18	1	0.31	0
Hungary			2.14	-6
Spain	39	1	0.76	0
Italy	130	2	1.55	1
Portugal	37	-1	0.75	0
Ireland	24	1	0.42	-3
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

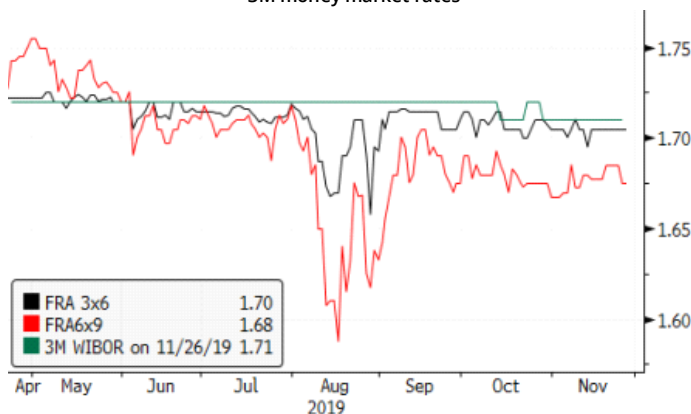
### Zloty exchange rate



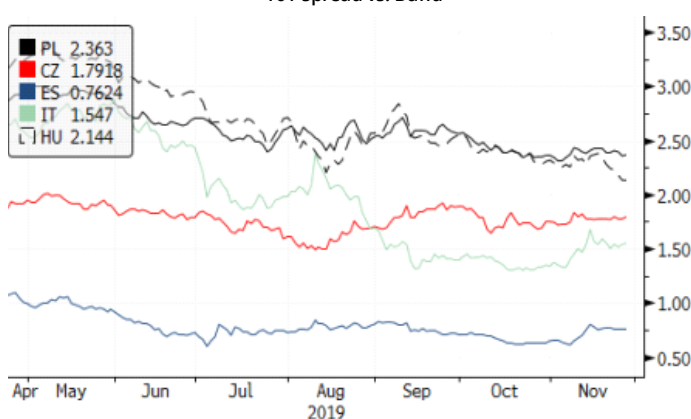
### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (22 November)								
08:00	DE	GDP WDA	3Q	% y/y	0.5	-	0.5	0.5
09:30	DE	Germany Manufacturing PMI	Nov	pts	42.8	-	43.8	42.1
09:30	DE	Markit Germany Services PMI	Nov	pts	52.0	-	51.3	51.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	46.4	-	46.6	45.9
10:00	EZ	Eurozone Services PMI	Nov	pts	52.4	-	51.5	52.2
10:00	PL	Sold Industrial Output	Oct	% y/y	2.5	2.0	3.5	5.6
10:00	PL	Construction Output	Oct	% y/y	6.2	8.8	-4.0	7.6
10:00	PL	PPI	Oct	% y/y	0.2	0.1	-0.1	0.9
16:00	US	Michigan index	Nov	pts	95.7		96.8	95.7
MONDAY (25 November)								
10:00	DE	IFO Business Climate	Nov	pts	95.0	-	95.0	94.7
10:00	PL	Retail Sales Real	Oct	% y/y	4.3	4.8	4.6	4.3
TUESDAY (26 November)								
14:00	PL	Money Supply M3	Oct	% y/y	9.0	9.0	9.3	9.4
16:00	US	Consumer Conference Board	Nov	pts	126.8	-	125.9	126.1
16:00	US	New Home Sales	Oct	% m/m	0.6	-	-0.7	4.5
WEDNESDAY (27 November)								
10:00	PL	Unemployment Rate	Oct	%	5.1	5.0		5.1
14:30	US	Durable Goods Orders	Oct	% m/m	-0.5	-		-1.2
14:30	US	GDP Annualized	3Q	% q/q	1.9	-		1.9
14:30	US	Initial Jobless Claims	week	k	218	-		227
16:00	US	Personal Spending	Oct	% m/m	0.3	-		0.2
16:00	US	Personal Income	Oct	% m/m	0.3	-		0.3
16:00	US	Pending Home Sales	Oct	% m/m	0.2	-		1.5
16:00	US	PCE Deflator SA	Oct	% m/m	0.3	-		0.0
20:00	US	Fed Beige Book						
THURSDAY (28 November)								
11:00	EZ	ESI	Nov	pct.	101.0	-		100.8
14:00	DE	HICP	Nov	% m/m	-0.6	-		0.1
FRIDAY (29 November)								
08:00	DE	Retail Sales	Oct	% m/m	-0.1	-		0.0
09:00	CZ	GDP SA	3Q	% y/y	2.5	-		2.5
09:00	HU	GDP	3Q	% y/y	5.0	-		5.0
10:00	PL	CPI	Nov	% y/y	2.5	2.7		2.5
10:00	PL	GDP	3Q	% y/y	-	3.9		3.9
11:00	EZ	Flash HICP	Nov	% y/y	0.8	-		0.7
11:00	EZ	Unemployment Rate	Oct	%	7.5	-		7.5

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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