

28 November 2019

Eyeopener

Industrial orders still weak

Positive market moods after strong US data
 EURUSD down, core yields up
 Zloty still depreciating
 Growth rate of industrial orders in Polish industry still going down
 Today HICP inflation in Germany

On Wednesday the market sentiment was positive – main stock indices in US and Europe rose after better than expected US data. During the day the dollar gained the (dollar index rose 0.15% to 98.37) while EM currencies, with few exceptions, weakened. PLN found itself in the middle of the EM group and lost 0.25% versus USD. Brent price rose by 0.5% to USD64.3 per bbl, gold fell 0.4% to USD1455 per ounce. Towards the end of the day president Trump said that „phase one” deal with China is getting closer. However, soon after that he signed a bill supporting Hong Kong protesters and threatening China with sanctions. Today the US market is closed due to Thanksgiving.

The **registered unemployment rate** declined in October to 5% for the first time since the transformation and the fall in the number of unemployed was slightly higher than in October last year. According to **LFS, unemployment** was also lower than ever - in Q3 it amounted to 3.1%, which means that it managed to trim 0.7 points during the year. In Q3 there was also a further decline in the working age population by 0.5% y/y (15th quarter with negative annual growth rate). **The number of the economically active** has also fallen by 0.7% y/y, but only because of lower unemployment numbers. When it comes to employment and inactivity, statistics were stable in annual terms. As a result, the economic activity rate at 56.7% was only 0.1 points lower than last year's reading, which was the highest since 2000 and the employment rate of 54.9% set a new maximum since 1996.

Yesterday GUS (Polish Statistical Office) published data about **new industrial orders** – in October they rose by 3.7% y/y, while foreign orders alone added 4.3% y/y. In both cases the growth rates are significantly below their Q3 and YTD averages. Seasonally adjusted **business sentiment indices** in manufacturing showed that current assessment of new orders is one of the lowest in the last four years. There was however a noticeable improvement in sentiment in the services in the restaurants and hotels sector which was a function of better demand and higher sales. This supports a hypothesis that the fall in retail sales dynamics can be explained by the fact that the emphasis of household consumption has been moved from goods towards services.

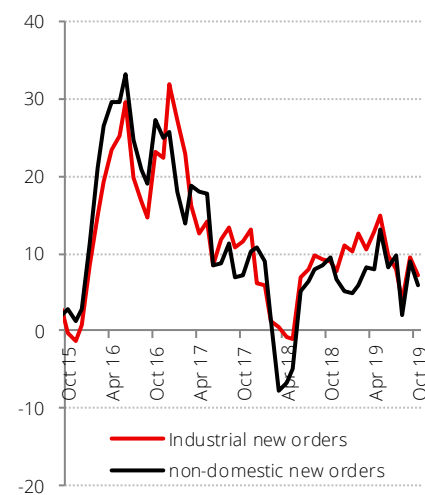
EURUSD broke important support at 1.100 and traded below for some time, reaching a daily minimum of 1.099. Towards the end of the day the pair rebounded above 1.100 (daily change of -0.2%). We think that in the coming days EURUSD may fall further. The next important technical level is at 1.095.

EURPLN was on the rise again and reached its local peak at 4.314 but later in the day the exchange rate corrected to c4.307. The zloty has been under pressure for the six consecutive days and has reached our short-term target (4.31-4.32). We think that now the exchange rate could stabilise before restarting the upside move. USDPLN closed at 3.915, CHFPLN at 3.92 and GBPPLN at 5.04. As regards **other CEE currencies**, EURCZK did not change much (25.5), EURHUF was hovering around 336.1 in a narrow range while USDRUB rose slightly to 64.05.

On the domestic interest rate market yields and IRS rates fell by c2bp along the curves. The 10Y bond yield closed at 1.97% and the respective swap at 1.68% implying asset swap spread closing at 29bp. At the same time, yields on the core debt market closed higher on daily basis – Bund curve by 1bp and the UST by 2-3bp with the intraday up moves even bigger by 1-2bp, mainly on the US curve. The PL-DE 10Y bond yield spread fell for a yet another day to 234bp but we think it shall return to c240bp in the coming days.

Today, we will get to see German November HICP inflation and euro zone business sentiment indexes.

New orders in industry, % y/y, 3m moving average



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.3081	CZKPLN	0.1687
USDPLN	3.9137	HUFPLN*	1.2807
EURUSD	1.1008	RUBPLN	0.0611
CHFPLN	3.9164	NOKPLN	0.4268
GBPPLN	5.0654	DKKPLN	0.5766
USDCNY	7.0303	SEKPLN	0.4087

*for 100HUF

Last session in the FX market 27/11/2019

	min	max	open	close	fixing
EURPLN	4.304	4.313	4.305	4.310	4.3107
USDPLN	3.904	3.921	3.907	3.918	3.9154
EURUSD	1.099	1.103	1.102	1.100	-

Interest rate market 27/11/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.36	-1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.71	-1	21 mar 19	PS0424	2.209
DS1029 (10L)	1.96	-2	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	0	1.74	1	-0.35	0
2L	1.69	0	1.62	2	-0.35	0
3L	1.66	-1	1.57	3	-0.32	0
4L	1.65	0	1.56	3	-0.28	0
5L	1.65	0	1.56	3	-0.24	0
8L	1.67	-1	1.62	3	-0.08	-1
10L	1.69	0	1.67	3	0.04	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.55	-5
T/N	1.54	-6
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	1.67	-1
9x12	1.63	0
3x9	1.78	0
6x12	1.76	-1

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.34	-2
France	18	-1	0.31	0
Hungary			2.19	5
Spain	40	-1	0.77	0
Italy	132	-1	1.58	0
Portugal	36	1	0.75	0
Ireland	25	-1	0.42	0
Germany	9	-1	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

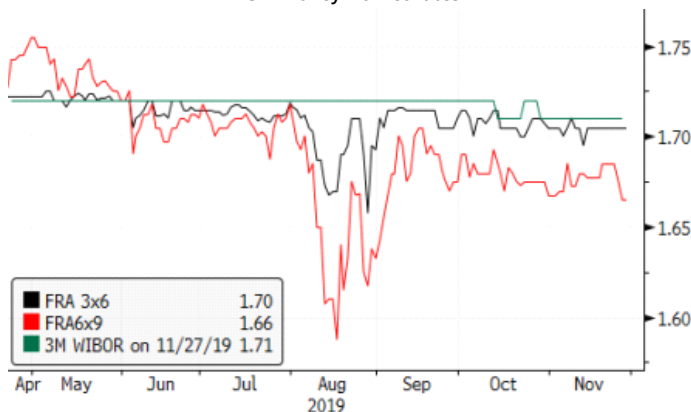
Zloty exchange rate



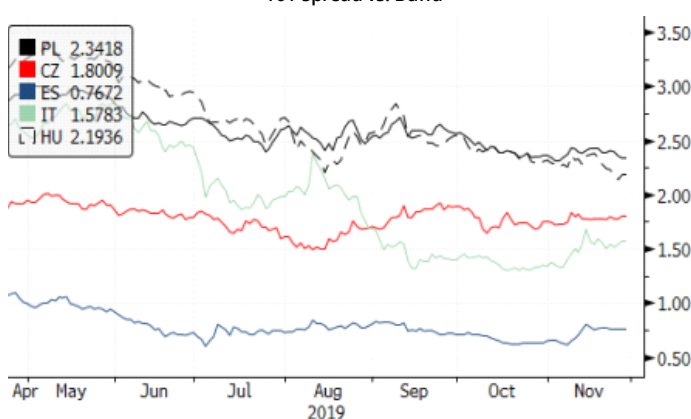
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

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	5.0	5.1
14:30	US	Durable Goods Orders	Oct	% m/m	-0.9	-	0.6	-1.4
14:30	US	GDP Annualized	3Q	% q/q	1.9	-	2.1	1.9
14:30	US	Initial Jobless Claims	week	k	221	-	213	228
16:00	US	Personal Spending	Oct	% m/m	0.3	-	0.3	0.2
16:00	US	Personal Income	Oct	% m/m	0.3	-	0.0	0.3
16:00	US	Pending Home Sales	Oct	% m/m	0.2	-	-1.7	1.4
16:00	US	PCE Deflator SA	Oct	% m/m	0.3	-	0.2	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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