

29 November 2019

Eyeopener

Supreme Court ruling hit the zloty

Global markets stable
Zloty undermined by the Supreme Court ruling
ESI for Poland rebounded
Today Poland's CPI inflation and GDP breakdown, HICP in the euro zone

Thursday was a holiday in the USA and market volatility was reduced. Without US investors, main equity indexes went down somewhat in Asia and Europe, by c0.3%. Emerging market stock exchanges and currencies did not show a strong correlation with the main equity indexes – some weakened, some strengthened. The dollar index did not change (98.39), gold stayed at US\$455/oz. Brent and WTI oil prices fell by 1% after oil inventories rose in the USA.

ESI business climate indicator for Poland improved in November to 100.9 from 100.2. The sub-indices in construction, retail trade and consumer confidence improved, while services indicator remained unchanged and in manufacturing it deteriorated. As regards the latter, worsening took place in assessment of current and expected production, while index of new orders improved slightly. Polish ESI index followed improvement of sentiment in the euro area, but in our view the economy will continue slowing in 4Q2019 and at the beginning of 2020; the bottom of the cycle is still ahead.

EURUSD volatility was very low on Thursday due to market holiday in the USA; the pair oscillates around 1.100. We expect dollar to strengthen in the nearest days.

EURPLN behaviour was more interesting, as it soared 0.4% to 4.323 after the Supreme Court overturned the Appeal Court's judgement (the case against borrower sued by the commercial bank). Therefore, the unfavourable for banks option (the possibility to convert the loan at historic FX rates, while keeping CHF interest rate) became more viable in investors' opinion. We expect the zloty to continue gradual depreciation in near future.

The other CEE currencies were pretty stable: EURCZK rose 0.3% after the Czech central bank said that the over-valuation on the real estate market has exceeded 15-20% seen in mid-2019 owing to insufficient supply of apartments in big cities. Early in the morning, EURHUF set the new all-time-high at 337.21 but pulled back later in the day. USDRUB rose 0.2% to 64.05 amid lower oil price.

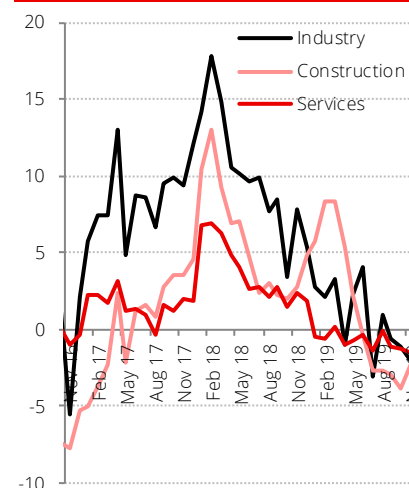
Today in Europe we will see flash November HICP and unemployment rate. In Poland, Czechia and Hungary 3Q GDP will be published. Additionally in Poland, the stat office will release flash November CPI.

Fixed income markets were stable yesterday due to the US holiday.

As for the Polish **GDP data**, we see risk of a major deterioration in investments from 9% y/y in 2Q, which together with a really bad outcome of construction production in civil engineering (-8.6% y/y in October) will raise worries about investment outlook for the next quarters. We remind our readers that we have been highlighting signals of a possible collapse in investment growth for several weeks. The positive part of the GDP structure should be net exports with a slightly positive contribution to economic growth and a solid rise of private consumption. The outlook for the latter is however getting worse, due to loss of momentum on the labour market and erosion of consumer confidence.

We expect **CPI** to go up to 2.8% y/y in November. The rise should come mostly from core inflation, but also from a rebound in oil prices late in the month and higher food prices. As we signalled many times, the peak of inflation should be in early 2020 and may be above 4% y/y if electricity prices are no longer frozen (the government declarations are unclear on this).

ESI indicators, pts



Source: European Commission, Santander

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FX market

Today's opening

EURPLN	4.3210	CZKPLN	0.1689
USDPLN	3.9251	HUFPLN*	1.2867
EURUSD	1.1008	RUBPLN	0.0612
CHFPLN	3.9305	NOKPLN	0.4276
GBPPLN	5.0669	DKKPLN	0.5783
USDCNY	7.0329	SEKPLN	0.4106

*for 100HUF

Last session in the FX market 28/11/2019

	min	max	open	close	fixing
EURPLN	4.307	4.325	4.310	4.321	4.323
USDPLN	3.911	3.931	3.918	3.925	3.9252
EURUSD	1.100	1.102	1.100	1.101	-

Interest rate market 28/11/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.37	1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.72	1	21 mar 19	PS0424	2.209
DS1029 (10L)	1.98	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	1.76	1	-0.35	0
2L	1.69	0	1.63	2	-0.35	0
3L	1.65	-1	1.59	2	-0.32	0
4L	1.64	-1	1.57	1	-0.28	0
5L	1.64	-1	1.58	2	-0.24	1
8L	1.66	0	1.63	1	-0.07	1
10L	1.69	0	1.69	1	0.05	1

WIBOR rates

Term	%	Change (bps)
O/N	1.28	-27
T/N	1.55	1
SW	1.57	-1
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	0
9x12	1.63	0
3x9	1.78	0
6x12	1.75	0

Measures of fiscal risk

Measures of riskiness				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.34	2
France	17	1	0.31	0
Hungary			2.17	-1
Spain	39	1	0.77	0
Italy	132	5	1.60	0
Portugal	37	1	0.76	0
Ireland	24	-2	0.41	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

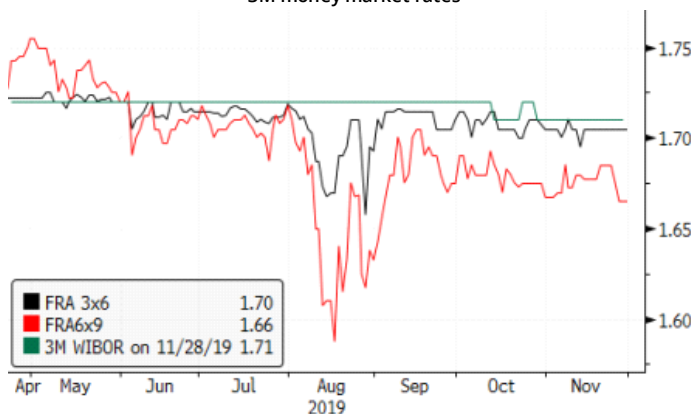
Zloty exchange rate



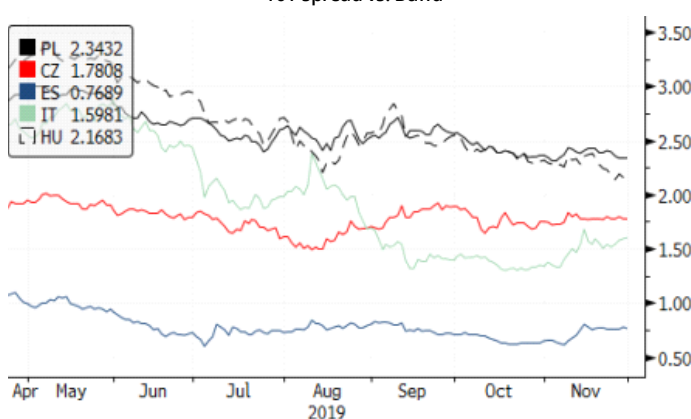
T-bonds yields



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	-	101.3	100.8
14:00	DE	HICP	Nov	% m/m	-0.7	-	-0.8	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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