

6 December 2019

Eyeopener

German output goes deeper

Market waits for more impulses, German data do not confirm a rebound
 Zloty strengthens further gradually
 Bonds slightly weaker
 Today US labour market report

On Thursday the positive mood on markets which started on Wednesday was still there, albeit slightly weaker. Macroeconomic data from Europe and US were close to expectations and the volatility on many currency pairs was lower than on Wednesday. Lower volatility was there as the markets awaited news from the trade talks. Next Sunday (15 December) is the date on which President Trump had promised to raise tariffs on Chinese goods. Today's data from Germany heavily undermine hopes for a positive turn in economic activity which arose after the last two German manufacturing PMI readings. German industrial production in October turned out to be much worse than expected – a further drop of output, as computed on a year on year basis, instead of reversing back up; y/y growth the weakest since late 2009. On top of that the previous reading was revised lower by 0.2pp.

Fitch rating agency confirmed yesterday its forecasts of economic growth for Poland at 3.3% in 2020 and 3.1% in 2021. According to the agency, since mid-2020 until 2021 inflation will be close to 2.5% y/y, which means no impulse for the MPC to change interest rates. Fitch expects that the impact of extended social transfers implemented in 2H19 will be visible in private consumption only in the coming quarters. In 2020 the net export's contribution to GDP growth may be lower than in 3Q. They also pointed to a "dramatic" investment slowdown in 3Q19. Fitch rates Poland at A- with a stable outlook. No hints the rating would need a review. **S&P** also feels comfortable with its A-/stable outlook for Poland and if it sees any risks, they are mainly long-term factors.

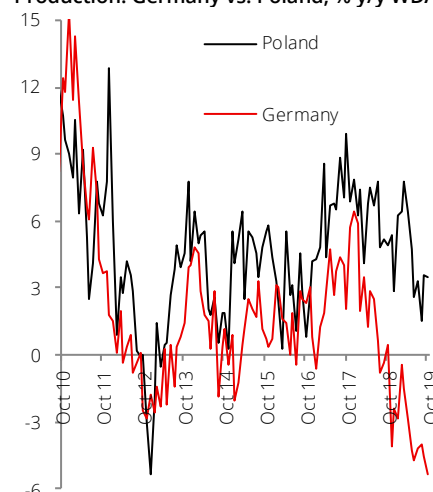
Yesterday **EURUSD** approached 1.11 again, despite better than expected US data, and the daily range was not wider than that on Wednesday. On Wednesday EURUSD spiked higher because of much worse than expected ADP reading from labour market. Today official data including monthly employment change, unemployment and wage growth are being published which may determine the direction of EURUSD at the end of the week.

EURPLN and **USDPLN** stayed in the down trend observed since the beginning of month and closed the day at 4.275 and 3.85, respectively. The zloty benefited from a slight EURUSD rebound and minor rise of the European stock indexes. The forint gained vs the euro sixth session in a row (EURHUF neared 330 vs its all-time-high at 337 in late November) while the koruna and the ruble continued the consolidation observed since the beginning of November. The first level where EURPLN could at least pause its down trend is 4.27.

On the domestic **interest rate market**, IRS and bond yields moved slightly up, by 1-2bp amid weakening abroad (10Y Bund and UST yields rose by c2-3bp). Global debt is sensitive to changes of the market mood which affects Polish bonds as well. Today in the afternoon we will see important US data that could trigger some volatility on the global and Polish market.

According to the Ministry of Labour, in November the **unemployment rate** rose to 5.1% from 5% in October. According to the Ministry, the number of unemployed rose by 10.2k m/m to 850.7k. This estimate is in line with our forecast.

Production: Germany vs. Poland, % y/y WDA



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2736	CZKPLN	0.1673
USDPLN	3.8475	HUFPLN*	1.2927
EURUSD	1.1108	RUBPLN	0.0604
CHFPLN	3.8993	NOKPLN	0.4216
GBPPLN	5.0566	DKKPLN	0.5720
USDCNY	7.0323	SEKPLN	0.4058

*for 100HUF

Last session in the FX market 05/12/2019

	min	max	open	close	fixing
EURPLN	4.274	4.281	4.280	4.275	4.2777
USDPLN	3.849	3.867	3.863	3.850	3.8566
EURUSD	1.107	1.111	1.108	1.111	-

Interest rate market 05/12/2019

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)	1.73	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.02	0	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	1.71	-1	-0.34	0
2L	1.69	0	1.60	0	-0.32	1
3L	1.66	2	1.57	1	-0.29	2
4L	1.65	1	1.58	2	-0.24	2
5L	1.66	2	1.59	2	-0.19	2
8L	1.69	1	1.67	2	-0.01	2
10L	1.72	2	1.73	2	0.11	2

WIBOR rates

Term	%	Change (bps)
O/N	1.58	0
T/N	1.60	0
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	1.66	0
9x12	1.62	0
3x9	1.78	0
6x12	1.75	1

Measures of fiscal risk

Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.30 -1
France	18 -1	0.32 0
Hungary		2.15 -1
Spain	41 1	0.78 0
Italy	138 2	1.66 -1
Portugal	39 -1	0.71 -1
Ireland	25 -1	0.34 0
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

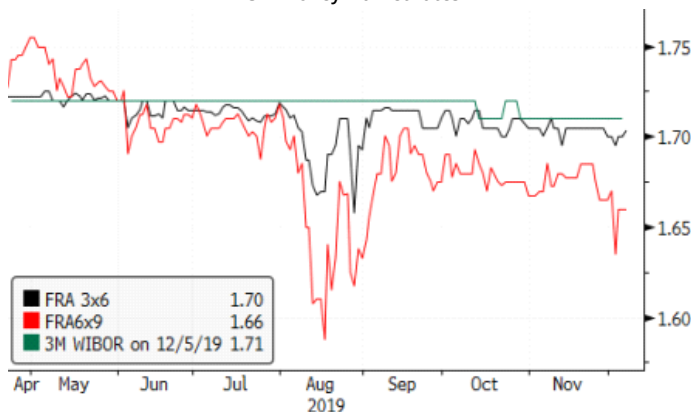
Zloty exchange rate



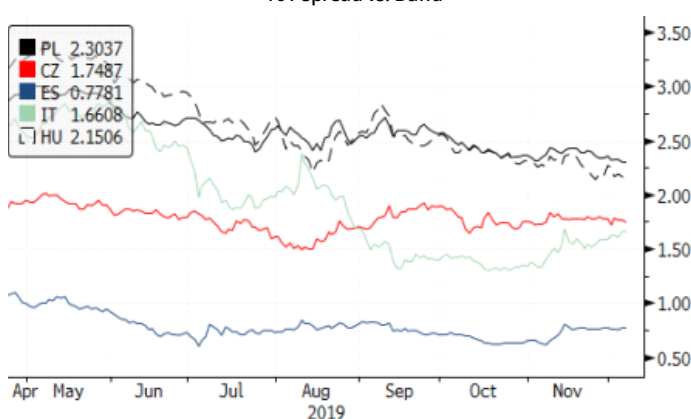
T-bonds yields



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 (29 November)								
08:00	DE	Retail Sales	Oct	% m/m	0.2	-	-1.9	0.1
09:00	CZ	GDP SA	3Q	% y/y	2.5	-	2.5	2.5
09:00	HU	GDP	3Q	% y/y	5.0	-	5.0	5.0
10:00	PL	Flash CPI	Nov	% y/y	2.6	2.8	2.6	2.5
10:00	PL	GDP	3Q	% y/y	3.9	3.9	3.9	3.9
11:00	EZ	Flash HICP	Nov	% y/y	0.9	-		0.7
11:00	EZ	Unemployment Rate	Oct	%	7.5	-		7.5
MONDAY (2 December)								
09:00	PL	Poland Manufacturing PMI	Nov	pts	46.2	46.9	46.7	45.6
09:55	DE	Germany Manufacturing PMI	Nov	pts	43.8	-	44.1	43.8
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	46.6	-	46.9	46.6
16:00	US	ISM manufacturing	Nov	pts	49.5	-	48.1	48.3
TUESDAY (3 December)								
No important data releases								
WEDNESDAY (4 December)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
02:45	CN	Caixin China PMI Services	Nov	pts	51.2	-	53.5	51.1
09:55	DE	Markit Germany Services PMI	Nov	pts	51.3	-	51.7	51.3
10:00	EZ	Eurozone Services PMI	Nov	pts	51.5	-	51.9	51.5
14:15	US	ADP report	Nov	k	140	-	67	121
16:00	US	ISM services	Nov	pts	54.5	-	53.9	54.7
THURSDAY (5 December)								
08:00	DE	Factory Orders	Oct	% m/m	0.4	-	-0,4	1.5
11:00	EZ	GDP SA	3Q	% y/y	1.2	-	1,2	1.2
11:00	EZ	Retail Sales	Oct	% m/m	-0.5	-	-0,6	-0.2
14:30	US	Initial Jobless Claims	week	k	215	-	203	213
16:00	US	Durable Goods Orders	Oct	% m/m	0.6	-	0,5	0.6
16:00	US	Factory Orders	Oct	% m/m	0.3	-	0,3	-0.8
FRIDAY (6 December)								
08:00	DE	Industrial Production SA	Oct	% m/m	0.1	-	-1.7	-0.6
09:00	HU	Industrial Production SA	Oct	% y/y	6.7	-		8.98
14:30	US	Change in Nonfarm Payrolls	Nov	k	185	-		128
14:30	US	Unemployment Rate	Nov	%	3.6	-		3.6
16:00	US	Michigan index	Dec	pts	97.0	-		96.8

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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