

Eyeopener

Merry Christmas!

US data worse than forecasts this time
 EURPLN and EURUSD pretty much unchanged
 Domestic and foreign yields keep rising
 Today Polish retail sales and another set of US data

The Thursday session went according to a similar scenario to the Wednesday one. Main exchange rates and European stock indexes did not move much. Once again, there was plenty to watch on the bond market, where there was a decent rise of yields, possibly in reaction to the earlier US data. The afternoon data releases were somewhat disappointing which caused some correction in the bond weakness.

In November **industrial output** grew by 1.4% y/y vs market expectations at 0.3% and our 1.6% call. The bad news about November production is that manufacturing output grew by only 0.2% y/y vs 4.7% average growth in 2Q and 3.7% in 3Q. On the other hand, the output of utilities was up 14.4% y/y and provided a very high contribution to headline growth (1pp). In our view the reading is a further confirmation of the slowdown and we see industrial output growing by 3.3% on average next year, while this year the average could be 4.4%. **PPI inflation** amounted to -0.1% y/y in November, markedly below our forecast (0.4% y/y). What is more, GUS revised its October release to -0.3% y/y from -0.1% y/y. In our view, PPI is to oscillate around zero in the months to come (yet a temporary rebound in December is possible), suggesting a lower pressure on CPI, which we expect to happen in 2H20.

According to the **December MPC minutes**, there was another 25bp rate cut vote. We think the motion had no higher support this time than at the previous two meetings (when it was only favoured by Eryk Łon). The document shows that most of the members still think that rates should stay in place in the following quarters. The majority view is also that inflationary pressure is still moderate – judging by low retail sales deflator (this measure does not include services which are the engine of CPI growth this year) and near-zero PPI growth. Most members were not worried about the issue of negative real interest rates raised at the meeting by some of the monetary policy makers. The minutes allows us to maintain the view that in 2020 and possibly also in 2021 there will be no rate changes in Poland.

According to RMF FM radio station, **Cezary Kochalski is to join the MPC**. Jerzy Osiatyński's term ends today and the president is to name his successor. He is a professor at Poznan Economic University, specialising in corporate finance; currently presidential advisor and president's envoy to the Financial Supervision Authority (KNF).

EURUSD moved yesterday morning around 1.113 and slightly below the Wednesday low at c1.11 awaiting the US data. The slightly weaker prints of the data did not impact the exchange rate.

EURPLN corrected yesterday more than a half of the Wednesday rise and at the end of the day it was close to 4.26. USDPLN oscillated around 3.835. As for the other CEE currencies, changes were also limited. We do not expect the end of the week to bring large moves on the Polish fx market.

On the domestic interest rate market, IRS rates and bond yields continued to go up for the second day. Core market bonds were also under pressure and it seems the recent moves were a reaction to quite good earlier US data. Yesterday we pointed out that having gone out of the tight band Polish 10Y yield may now target 2.10%. Yesterday intraday it climbed to almost 2.08%. What is important, there was a temporary (but still) breach of the November peak of -0.218% by 10Y Bund.

Please be advised that today's Eyeopener will be the last for 2019.

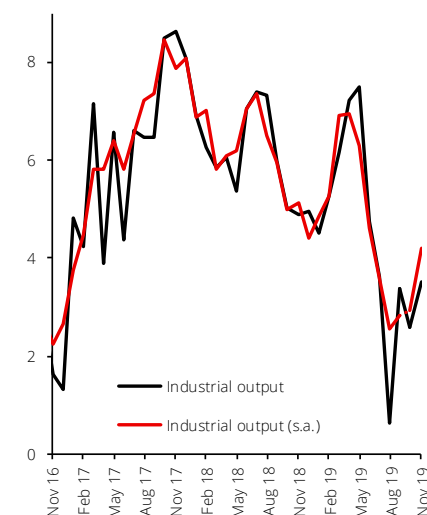
We will resume publication on January 3, 2020.

We wish our readers Merry Christmas and a prosperous New Year!

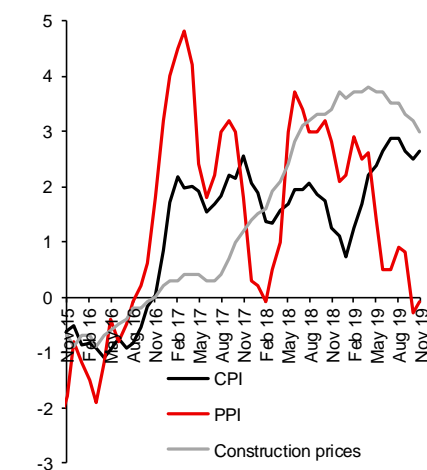


20 December 2019

Industrial output, % y/y, 3M mov. av.



Inflation measures, % y/y



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FX market

Today's opening			
EURPLN	4.2619	CZKPLN	0.1676
USDPLN	3.8337	HUFPLN*	1.2896
EURUSD	1.1117	RUBPLN	0.0614
CHFPLN	3.9140	NOKPLN	0.4269
GBPPLN	4.9893	DKKPLN	0.5704
USDCNY	7.0111	SEKPLN	0.4071

*for 100HUF

Last session in the FX market 19/12/2019

	min	max	open	close	fixing
EURPLN	4.253	4.273	4.271	4.261	4.2632
USDPLN	3.826	3.843	3.842	3.830	3.8281
EURUSD	1.111	1.114	1.112	1.113	-

Interest rate market 19/12/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.44	1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.79	2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.07	5	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.69	1	1.78	-1	-0.34	0
2L	1.72	1	1.68	-3	-0.31	1
3L	1.70	3	1.67	-3	-0.27	1
4L	1.71	4	1.68	-3	-0.22	1
5L	1.73	4	1.70	-3	-0.16	0
8L	1.78	6	1.79	-3	0.03	0
10L	1.81	6	1.85	-3	0.15	1

WIBOR rates

Term	%	Change (bps)
O/N	0.99	-50
T/N	1.52	-1
SW	1.56	-1
2W	1.59	-1
1M	1.63	0
3M	1.70	0
6M	1.79	0
9M	1.80	0
1Y	1.84	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.69	0
3x6	1.68	0
6x9	1.66	0
9x12	1.62	0
3x9	1.77	0
6x12	1.76	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.31	5
France	18	0	0.30	0
Hungary			2.20	0
Spain	41	2	0.68	0
Italy	120	1	1.62	0
Portugal	36	2	0.64	0
Ireland	21	2	0.32	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

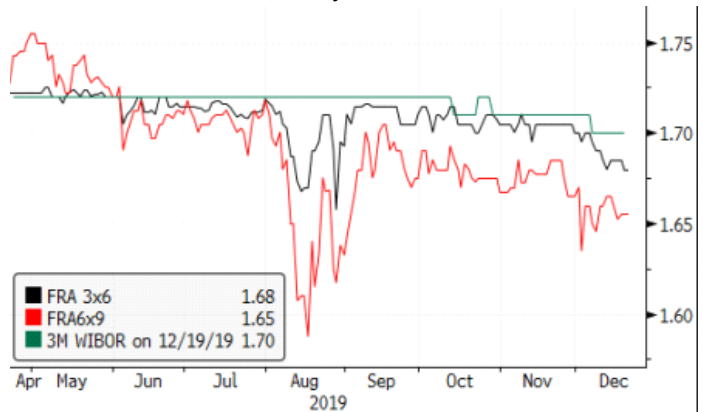
Zloty exchange rate



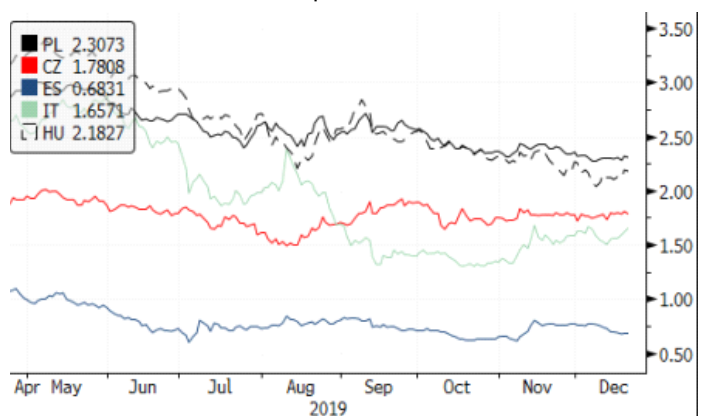
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (13 December)							
10:00	PL	CPI	Nov	% y/y	-	2.6	2.6
14:30	US	Retail Sales Advance	Nov	% m/m	0.5	-	0.2
MONDAY (16 December)							
09:30	DE	Flash Germany Manufacturing PMI	Dec	pts	44.7	-	43.4
09:30	DE	Flash Markit Germany Services PMI	Dec	pts	52.0	-	52.0
10:00	EZ	Flash Eurozone Manufacturing PMI	Dec	pts	47.2	-	45.9
10:00	EZ	Flash Eurozone Services PMI	Dec	pts	52.0	-	52.4
14:00	PL	CPI Core	Nov	% y/y	2.5	2.6	2.6
14:00	PL	Current Account Balance	Oct	€mn	358	702	529
14:00	PL	Trade Balance	Oct	€mn	556	585	440
14:00	PL	Exports	Oct	€mn	22 000	21 755	21 791
14:00	PL	Imports	Oct	€mn	21 648	21 170	21 351
TUESDAY (17 December)							
14:00	HU	Central Bank Rate Decision		%	0.90	-	0,90
14:30	US	Housing Starts	Nov	% m/m	1.9	-	3,2
15:15	US	Industrial Production	Nov	% m/m	0.8	-	1.1
WEDNESDAY (18 December)							
10:00	DE	IFO Business Climate	Dec	pts	95.5	-	96.3
10:00	PL	Employment in corporate sector	Nov	% y/y	2.5	2.5	2.6
10:00	PL	Average Gross Wages	Nov	% y/y	5.9	5.9	5.3
11:00	EZ	HICP	Nov	% y/y	1.0	-	1.0
13:00	CZ	Central Bank Rate Decision		%	2.0	-	2.0
THURSDAY (19 December)							
10:00	PL	Sold Industrial Output	Nov	% y/y	0.3	1.6	1.4
10:00	PL	PPI	Nov	% y/y	0.2	0.4	-0.1
14:30	US	Initial Jobless Claims	week	k	225	-	234
14:30	US	Index Philly Fed	Dec	pts	8.0	-	0.3
16:00	US	Existing Home Sales	Nov	% m/m	-0.4	-	1.9
FRIDAY (20 December)							
10:00	PL	Retail Sales Real	Nov	% y/y	3.9	4.3	4.6
14:30	US	GDP Annualized	3Q	% Q/Q	2.1	-	2.1
16:00	US	Michigan index	Dec	pts	99.2	-	99.2
16:00	US	Personal Spending	Nov	% m/m	0.4	-	0.3
16:00	US	Personal Income	Nov	% m/m	0.3	-	0.0
16:00	US	PCE Deflator SA	Nov	% m/m	0.2	-	0.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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