

14 January 2020

Eyeopener

Import weakness improves trade balance

High current account surplus in November
EURUSD stable near key technical level
EURPLN low and POLGBs yields rising
Today, inflation in USA and Hungary

Monday was a calm day on the global markets and this despite the fact that most of the developed market indices (except for the Asian ones: Nikkei, Hang Seng) were trading lower by 0.2-0.3%. Emerging market stock indices gained on average by 0.3-0.7%. Core market yields increased (in the 10Y tenor by roughly 2-3bp), while the dollar index rose by 0.1% to 97.4. Yields were higher also in Poland where 10Y yield rose above 2.30%. Changes in the emerging market currencies varied – the Asian ones gained (yuan, rupiah, ringgit – by 0.3-0.7%), those of Latin America lost (Chilean and Colombian pesos, real – by around 1.0%). Gold price fell by 0.8% to \$1550/oz, while Brent oil by c1.0% to \$64.5/bbl. Today investor's mood should be upbeat after US removed China from currency manipulator list (a good sign before the signing of the trade deal on Wednesday) and after significantly better than expected Chinese exports which accelerated in December to 9.0% y/y.

November **current account balance** was much above forecasts: €+1457mn vs €+451mn consensus and our €+521 forecast. Compared to our estimates half of the large surprise comes from income balances, half from trade balance of goods: both exports and imports came below expectations, but imports much more so (-4.6% y/y while we expected -0.9% y/y; export growth was -1.0% y/y while we expected +0.3%). This is not the first time recently that monthly imports look poor and this may signal a deeper slowdown in domestic demand than we were assuming (although NBP comment stressed that import weakness was due to cheaper energy commodities and fuels). On the other hand our estimate of net exports' contribution to GDP may need to be raised. We think the data increase the probability that 4Q GDP growth will not be much worse than 3.9% y/y recorded in 3Q. 12M rolling sum of C/A balance grew to 0.6% GDP in November from 0.4% previously.

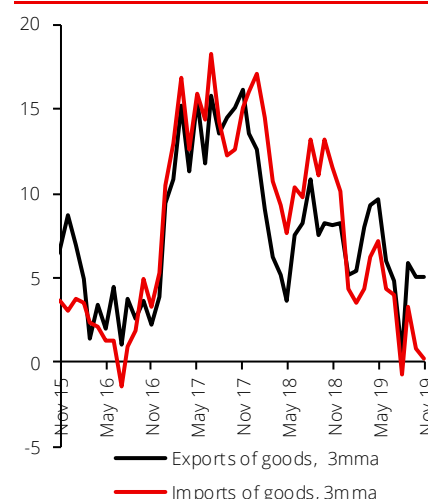
EURUSD was not very volatile yesterday, given lack of important data releases in the USA – start and the close of the session were at 1.112 and the daily trading range amounted to mere 18bp. EURUSD is still close to an important technical level at 1.11, but below 200 day moving average (1.1140) and may soon set a direction for the upcoming weeks. The FX options market assumes that the upward move is more probable than the downward, but in our view EURUSD will fall to 1.105 in the short term. US inflation data may prove crucial.

For the second week in a row **EURPLN** is close to the lower limit of horizontal trend (4.24-4.40), valid for a few months. Strength of the domestic currency can be explained by the positive global sentiments towards EM currencies, including the gaining yuan. Overnight the rate slid below 4.24 and the trend does not seem to be losing strength ahead of Wednesday when the US-China deal is to be signed. In our view, an upward rebound is possible after the deal is announced (buy rumours, sell facts) and then EURPLN will rebound above 4.26 and higher. USDPLN ended the day at 3.81, CHFPLN at 3.924 and GBP at 4.95 due to the weakening pound.

In the case of **other CEE currencies** this was the third day in a row of forint losses. As we wrote in the weekly report – we expect the forint to weaken to the worst level ever vs the euro at c367.0. The Russian ruble also weakened – USDRUB rose by 0.5% as oil price declined. On the other hand the Czech koruna strengthened – by c0.2% to 25.22 – after positive retail sales data and higher-than-expected December inflation.

Domestic interest rate market recorded another day of growing yields, despite the substantial rise last week (c20bp on 10Y). Polish 10-year bond closed the day at 2.35%, 8bp higher than in the morning. Core market yields also rose, but by less, 4bp in the case of German papers. As a result the Bund spread widened by another 4bp to 251bp. We think that the tendency may hold in the following days. 10Y asset swap spread widened by 5bp to 27bp.

Foreign trade turnover, % y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.2339	CZKPLN	0.1680
USDPLN	3.8009	HUFPLN*	1.2701
EURUSD	1.1140	RUBPLN	0.0620
CHFPLN	3.9151	NOKPLN	0.4277
GBPPLN	4.9318	DKKPLN	0.5665
USDCNY	6.8856	SEKPLN	0.4019

*for 100HUF

Last session in the FX market 13/01/2020

	min	max	open	close	fixing
EURPLN	4.233	4.241	4.237	4.235	4.2353
USDPLN	3.801	3.815	3.811	3.802	3.8101
EURUSD	1.111	1.115	1.112	1.114	-

Interest rate market 13/01/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.54	3	21 mar 19	OK0521	1.633
PS1024 (5L)	2.02	9	21 mar 19	PS0424	2.209
DS1029 (10L)	2.34	8	21 mar 19	DS1029	2.877

IRS on the interbank market**

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.76	1	1.73	1	-0.33	1
2L	1.91	3	1.64	1	-0.31	0
3L	1.95	3	1.62	1	-0.26	0
4L	1.99	5	1.62	1	-0.21	0
5L	2.03	6	1.64	1	-0.15	0
8L	2.08	5	1.73	2	0.03	-1
10L	2.11	6	1.79	2	0.16	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.32	-20
T/N	1.45	-9
SW	1.54	-1
2W	1.58	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	1.72	0
3x6	1.74	0
6x9	1.75	0
9x12	1.79	4
3x9	1.84	1
6x12	1.87	1

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.50	4
France	19	-1	0.25	1
Hungary			2.25	3
Spain	40	3	0.64	-4
Italy	117	3	1.54	-3
Portugal	37	0	0.59	-4
Ireland	23	-1	0.26	1
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



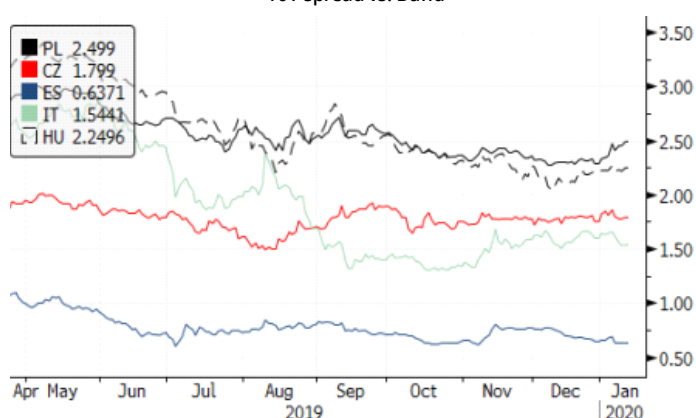
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic Calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
FRIDAY (10 January)								
09:00	CZ	GDP SA	3Q	% y/y	2.5		2.5	2.5
09:00	CZ	Industrial Production	Nov	% y/y	-4.0		-5.7	-3.0
14:30	US	Change in Nonfarm Payrolls	Dec	k	160.0		145.0	256.0
14:30	US	Unemployment Rate	Dec	%	3.5		3.5	3.5
MONDAY (13 January)								
09:00	CZ	CPI	Dec	% y/y	3.1	3.2	-	3.1
14:00	PL	Current Account Balance	Nov	€mn	451	521	1457	573
14:00	PL	Trade Balance	Nov	€mn	356	356	829	427
14:00	PL	Exports	Nov	€mn	20653	20511	20238	21757
14:00	PL	Imports	Nov	€mn	20392	20155	19409	21330
TUESDAY (14 January)								
09:00	HU	CPI	Dec	% y/y	4.0		-	3.4
14:30	US	CPI	Dec	% m/m	0.2		-	0.3
WEDNESDAY (15 January)								
10:00	PL	CPI	Dec	% y/y	2.8	3.37	-	3.4
11:00	EZ	Industrial Production SA	Nov	% m/m	0.4		-	-0.5
THURSDAY (16 January)								
08:00	DE	HICP	Dec	% m/m	0.6		-	0.6
14:00	PL	CPI Core	Dec	% y/y	3.15	3.18	-	2.6
14:30	US	Initial Jobless Claims	Jan.20	k	220.0		-	214.0
14:30	US	Retail Sales Advance	Dec	% m/m	0.3		-	0.2
14:30	US	Index Philly Fed	Jan		3.4		-	2.4
FRIDAY (17 January)								
11:00	EZ	HICP	Dec	% y/y	1.3		-	1.3
14:30	US	Housing Starts	Dec	% m/m	1.1		-	3.2
15:15	US	Industrial Production	Dec	% m/m	0.0		-	1.1
16:00	US	Michigan index	Jan	pts	99.15		-	99.3

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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