

15 January 2020

# Eyeopener

## Zloty stronger ahead of US-China deal

Rising inflation in CEE4 countries  
 EURUSD still stable near 1.11, EURCHF lower  
 EURPLN at the strongest level since 2018  
 Today, inflation in Poland, PPI in USA, industrial production in euro zone

On Tuesday markets traded in positive mood after the stronger than expected growth of Chinese exports and imports. During the day the US inflation print was slightly lower than expected. Meanwhile, December inflation rates in Hungary and Romania increased which taken together with Czech and Poland's inflation suggests that real interest rates in the CEE4 region might decrease even further in the nearest future. Global stock indices were relatively calm, among developed markets the top performers were Japan and USA – both up 0.7%. The dollar strengthened by around 0.2%. Correction on the core yield markets (yields lower) helped POLGBs where yields fell below 2.30%. Performance of EM currencies varied for another day – Turkish lira and Colombian peso weakened while gains were observed in Ukrainian hryvna, S.African rand and Polish zloty, which after breaking 4.22 level was strongest vs euro since May 2018. Gold and oil prices have not changed by more than 1% trading at their latest levels of, respectively, \$1550/oz and \$64.8/bbl. Market optimism slightly weakened on Tuesday evening after US Treasury secretary informed that even after today's signing of the US-China trade deal the tariffs on the Chinese goods will be kept unchanged at the current levels till the phase two negotiations are finished.

Yesterday **EURUSD** started the day at 1.112, climbed to 1.115 and then tried to test 1.11, but failed to break this level and retraced to 1.112. As yesterday's inflation data failed to give this pair a clear direction, also today's PPI is unlikely to do so and we think that markets will be forced to wait for more important data in the second half of the week, as retail sales (Thursday) or industrial output (Friday).

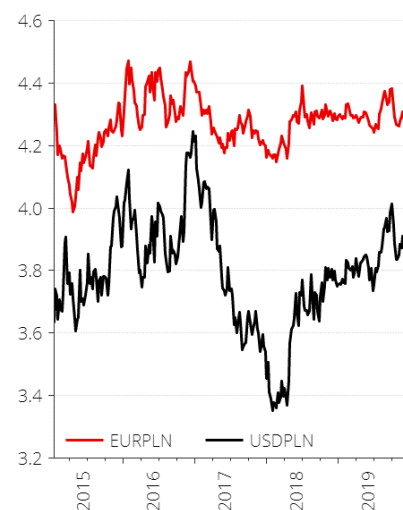
**EURPLN** opened close to 4.236. As there were no important Polish macroeconomic data on schedule, we expected the volatility to remain low. However, shortly after 11:00 the exchange rate fell rapidly by 0.7% to 4.2162 (daily minimum) and then returned higher ending the day at 4.2215. In our view, this sudden move may have been related to maturing FX options. **USDPLN** ended the day at 3.796, **CHFPLN** at 3.919, as **EURCHF** fell significantly – by 0.5% to 1.077. **GBPPLN** closed at 4.927.

As regards **other CEE currencies**, the forint and the koruna gained versus the euro by 0.5% to 332.4 and by 0.3% to 25.2, respectively. The koruna has last seen these levels in 2012/2013. The ruble was weakening despite relatively stable oil prices and continuing rally on the debt market (10Y yields fell to 6.11%).

The **domestic interest rate market** followed core debt where the 10Y yields fell by 3bp intraday and 1bp at the end of the session: Bund closed at -0.165% and UST at 1.83%. Polish 10Y bond yield fell by 7bp to 2.27% with the 2-10Y bond and IRS slopes holding fairly unchanged at 17bp and 75bp, respectively. The 10Y PL-DE bond yield spread narrowed by 7bp to 244bp and the asset swap spread by 4bp to 23bp. Today's Poland inflation data could be important factor for the Polish long-term bonds. If the flash estimate is confirmed at 3.4%, the sell-off could be resumed with the PL-DE yield spread rising further. On the other hand, one should remember that the US-China first phase trade deal is to be signed today which could improve the global market mood which in turn could be positive for the domestic bonds. The Ministry of Finance announced that after the last Thursday's auction, the total amount of bonds outstanding is at PLN651.035bn.

**Today** euro zone industrial output will be released while in Poland we will see detailed inflation data for December. In the US, PPI and Empire Manufacturing index will be published. In Washington, the US-China first phase trade deal is to be signed.

### Zloty exchange rate vs euro and dollar



Source: Refinitiv Datastream, Santander

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.2235 | CZKPLN  | 0.1678 |
| USDPLN | 3.7924 | HUFPLN* | 1.2690 |
| EURUSD | 1.1137 | RUBPLN  | 0.0618 |
| CHFPLN | 3.9201 | NOKPLN  | 0.4275 |
| GBPPLN | 4.9426 | DKKPLN  | 0.5652 |
| USDCNY | 6.8876 | SEKPLN  | 0.4007 |

\*for 100HUF

### Last session in the FX market 14/01/2020

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.204 | 4.237 | 4.235 | 4.217 | 4.2323 |
| USDPLN | 3.777 | 3.804 | 3.802 | 3.789 | 3.8019 |
| EURUSD | 1.110 | 1.115 | 1.114 | 1.113 | -      |

## Interest rate market 14/01/2020

### T-bonds on the interbank market\*\*

| Benchmark (term) | %    | Change (bps) | Last auction | per offer | Average yield |
|------------------|------|--------------|--------------|-----------|---------------|
| DS1021 (2L)      | 1.51 | -3           | 21 mar 19    | OK0521    | 1.633         |
| PS1024 (5L)      | 1.96 | -6           | 21 mar 19    | PS0424    | 2.209         |
| DS1029 (10L)     | 2.27 | -7           | 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                            | 1.74 | -2           | 1.73 | 0            | -0.33 | 1            |
| 2L                            | 1.87 | -4           | 1.63 | -1           | -0.30 | 0            |
| 3L                            | 1.89 | -6           | 1.61 | -1           | -0.25 | 0            |
| 4L                            | 1.93 | -6           | 1.61 | -1           | -0.19 | 0            |
| 5L                            | 1.97 | -6           | 1.63 | -1           | -0.13 | 0            |
| 8L                            | 2.01 | -7           | 1.71 | -1           | 0.06  | 0            |
| 10L                           | 2.03 | -7           | 1.78 | -1           | 0.19  | 4            |

### WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 1.18 | -14          |
| T/N  | 1.39 | -6           |
| SW   | 1.54 | 0            |
| 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  | 1.71 | 0            |
| 3x6  | 1.74 | 0            |
| 6x9  | 1.74 | 0            |
| 9x12 | 1.75 | -4           |
| 3x9  | 1.83 | -1           |
| 6x12 | 1.85 | -1           |

### Measures of fiscal risk

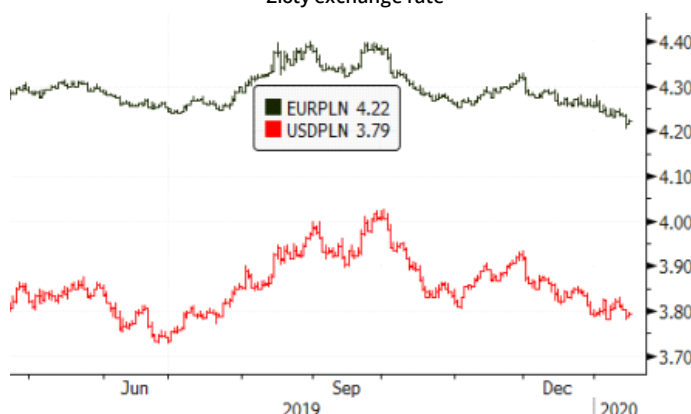
| Country  | CDS 5Y USD         | 10Y spread*        |
|----------|--------------------|--------------------|
|          | Level Change (bps) | Level Change (bps) |
| Poland   |                    | 2.45 -5            |
| France   | 18 -1              | 0.25 0             |
| Hungary  |                    | 2.24 -1            |
| Spain    | 43 -2              | 0.65 1             |
| Italy    | 120 -1             | 1.57 3             |
| Portugal | 37 1               | 0.70 11            |
| Ireland  | 22 -1              | 0.26 0             |
| Germany  | 9 -1               | - -                |

\* 10Y treasury bonds over 10Y Bunds

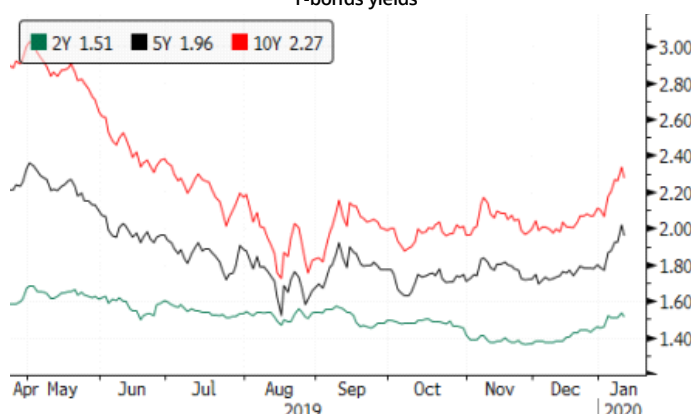
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

## Zloty exchange rate



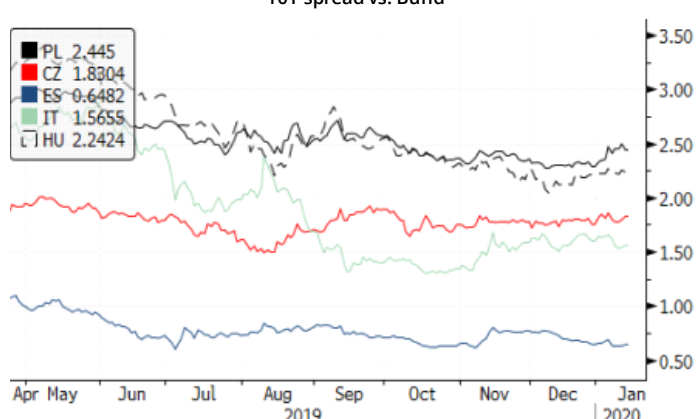
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| Economic calendar      |         |                            |        |          |           |                 |                |       |
|------------------------|---------|----------------------------|--------|----------|-----------|-----------------|----------------|-------|
| TIME<br>CET            | COUNTRY | INDICATOR                  | PERIOD | FORECAST |           | ACTUAL<br>VALUE | LAST<br>VALUE* |       |
|                        |         |                            |        | MARKET   | SANTANDER |                 |                |       |
| 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       |                 | 4.0            | 3.4   |
| 14:30                  | US      | CPI                        | Dec    | % m/m    | 0.3       |                 | 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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