

16 January 2020

Eyeopener

Trade deal signed

USA and China signed the trade deal, weaker global data
EURUSD slightly higher
Zloty a bit weaker, bonds stronger
Today core inflation in Poland, US data

On Wednesday a handful of macroeconomic data on the developed markets turned out to be worse than expected – November euro zone industrial production (also downward revisions of earlier data), various inflation measures in the UK, core inflation in Sweden and, last but not least, US PPI. As a result, the core yields marched lower by 4-5bp, despite the generally low volatility environment as the markets awaited the signing of the US-China deal later in the day. Treasury Secretary Steven Mnuchin said that eventual “phase 2” deal might be decomposed into smaller parts (“... 2A, 2B, 2C.”) and include a tariffs rollback. White House economic adviser Larry Kudlow said that more tax cuts for the middle class are to be expected later in the year, during President Trump's election campaign. OPEC forecasts less demand for the oil produced by the cartel, despite the globally rising oil demand, as US increase production and its market share.

US and China signed a “phase 1” trade deal assuming that China will increase imports of the US commodities by \$200bn versus the 2017 numbers and will not devalue the yuan in order to support trade. Americans are expected to refrain from imposing new tariffs. The tariffs imposed so far remain in place. Market reaction after the deal got signed was moderate.

Polish December CPI inflation was confirmed at 3.4% y/y. Our core inflation estimate remains at 3.2% y/y, up from 2.6% y/y in November. Some of the rapid rise of core inflation could be a one-off factor in transport services, similar to what happened in 2019 around Easter. The January CPI print might be 4.1% y/y (as the large electricity price hike will kick in and other administered prices will also go up). More in our [Economic Comment](#).

EURUSD opened at 1.113 yesterday, went up slightly in the morning after the euro zone output data to 1.115, breaching 1.116 for a short period. The Thursday and Friday data from the USA may set the direction for the exchange rate for the following days.

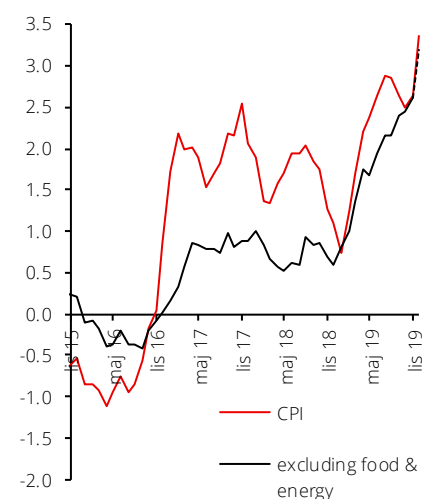
EURPLN, just like many other EM currencies, was quite stable yesterday. Having opened below 4.22 it kept rising throughout the day and closed at 4.226. Technical analysis suggests EURPLN may approach the end of its downside trend. USDPLN closed at 3.792, CHFPLN at 3.939 after Switzerland was put again on the US Treasury's list of currency manipulators, which strengthened the franc.

As regards **other CEE currencies**, the forint was gaining at the start of the day, but depreciated at the end of the session ending the day by 0.3% weaker versus the euro, at 333.2. The Czech koruna continued the strengthening trend versus the euro, EURCZK slid by 0.2% to 25.11. In Russia, the deposal of Medvedev hit the ruble, which depreciated by 0.4% versus currency basket and by 0.3% versus the dollar, and the Russian debt, with 10Y benchmark jumping by 6 bp to 6.16%. President Putin designated Mikhail Mishustin to be the new PM. Mishustin served earlier and head of the Federal Tax Service.

Polish interest rate market was following the core yields and additionally the foreign investors were buying back papers they sold earlier to take profits. This pushed yields down by 3-4bps and both curves (bond and swap) flattened, by 2bp in 2x10 tenors. Spread to Bund remained fairly unchanged at 244 bp in 10 tenor, while 10Y asset swap spread narrowed by 1 bp to 22 bp. In the upcoming days the yield curve will stay under impact of core markets and important US data.

Today core inflation in Poland, retail sales and Philly Fed in the USA.

CPI and core inflation in Poland, % y/y



Source: NBP, GUS, Santander

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FX market

Today's opening

EURPLN	4.2317	CZKPLN	0.1686
USDPLN	3.7964	HUFPLN*	1.2704
EURUSD	1.1147	RUBPLN	0.0617
CHFPLN	3.9343	NOKPLN	0.4283
GBPPLN	4.9493	DKKPLN	0.5663
USDCNY	6.8918	SEKPLN	0.4010

*for 100HUF

Last session in the FX market 15/01/2020

	min	max	open	close	fixing
EURPLN	4.216	4.230	4.217	4.228	4.2279
USDPLN	3.783	3.801	3.789	3.789	3.7992
EURUSD	1.112	1.116	1.113	1.116	-

Interest rate market 15/01/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.52	1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.92	-4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.23	-4	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	1.74	0	1.73	0	-0.33	0
2L	1.86	-1	1.64	0	-0.30	0
3L	1.88	-1	1.61	0	-0.25	-1
4L	1.91	-2	1.60	-1	-0.20	-1
5L	1.94	-2	1.62	-1	-0.14	-1
8L	1.98	-3	1.70	-2	0.04	-2
10L	2.00	-3	1.76	-2	0.16	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.21	3
T/N	1.39	0
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	1.73	0
6x9	1.74	0
9x12	1.75	0
3x9	1.82	-2
6x12	1.83	-2

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.44	-4
France	18	0	0.26	0
Hungary			2.25	-3
Spain	41	0	0.65	0
Italy	120	2	1.59	-1
Portugal	37	-1	0.70	0
Ireland	22	1	0.26	-3
Germany	8	1	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

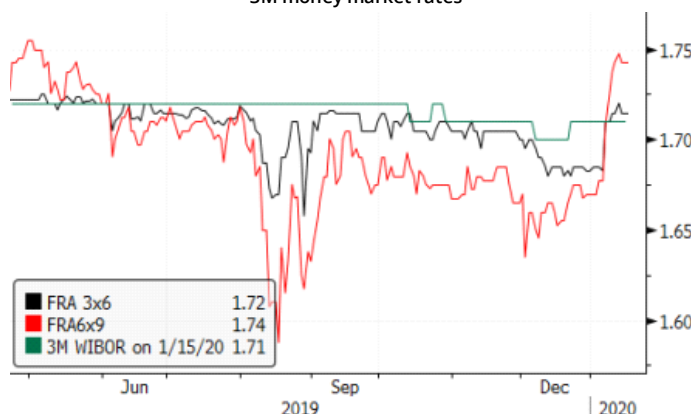
Zloty exchange rate



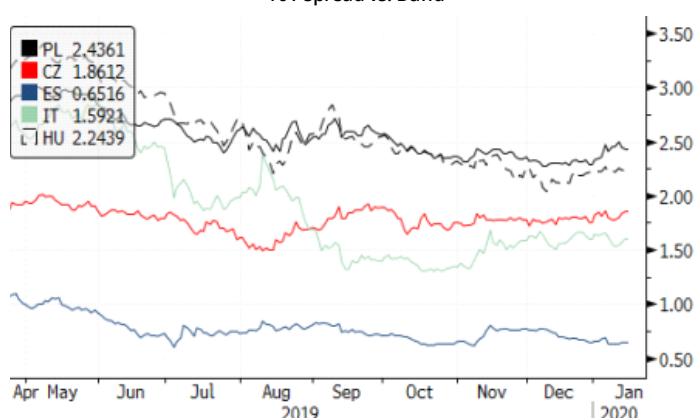
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST 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	3.4	3.4	3.4	3.4
11:00	EZ	Industrial Production SA	Nov	% m/m	0.3	0.2	-0.9	
THURSDAY (16 January)								
08:00	DE	HICP	Dec	% y/y	1.5	1.5	-	1.2
14:00	PL	CPI Core	Dec	% y/y	3.2	3.2	-	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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