

21 January 2020

# Eyeopener

## IMF cut global growth forecasts

Calm start of the week with US investors absent  
IMF cut world's growth forecasts  
Zloty a bit weaker, EURUSD down  
Bonds yields in Poland and abroad with no major changes  
Today Polish labour market data and German ZEW

The absence of US investors and lack of important data releases reduced market activity at the start of the week. Equity market indices were hovering near the Friday's close levels, similarly as bond yields. Changes on FX markets were also small.

**The International Monetary Fund** reduced its world GDP forecast for 2020 from 3.4% to 3.3%, and for 2021 from 3.6% to 3.4%. Worsening results mostly from weaker economic activity in large emerging economies. According to the IMF, improvement in international trade will positively affect the general economic activity, reflecting a rebound in domestic demand and investments. GDP growth forecasts for emerging markets were revised down by 0.2pp in 2020 and 2021, to 4.4% and 4.6% correspondingly. Overall, the IMF believes that the negative risk for economic growth is slightly lower than assessed in October, although remains significant.

According to **Fitch Ratings'** analyst for Poland, Arvind Ramakrishnan, the payment of extra pensions from the Solidarity Fund does not constitute a violation of the expenditure rule. Also, Fitch does not expect the issue of FX loans to affect the country rating. Ramakrishnan stressed, however, that the share of fixed expenditure in the budget has been rising, and the room for boosting tax collection is limited, which would make fiscal policy less flexible. Currently Fitch Ratings rates Poland at A- with a stable outlook.

**EURUSD** spent most of the day below 1.11 slightly below the Friday minimum of 1.108. Today in the morning the German ZEW will be published and this should be first indication regarding sentiment in the beginning of 2020. In November 2019 the current situation index stabilised after the decreasing trend which lasted from 2018. Expectations index from August 2019 managed to bounce back to the levels seen at the beginning of 2018. Today's reading might influence market expectations regarding Friday's publication of January flash PMIs.

**EURPLN** saw a mild rise to 4.246 and this was the fourth session in a row of a slow increase. The upside move was recorded also in case of USDPLN (to 3.83) and CHFPLN (to 3.95). The zloty gave up all gains recorded vs the euro in the first part of the last week and we sustain our view EURPLN could rise gradually further. The zloty could be pressured by stronger dollar and the below-consensus Polish data we expect to be released in the coming days.

In case of the other **CEE currencies**, EURHUF was the most volatile as it plummeted sharply to 334.5 from just below its all-time-high at c337. The exchange rate offset the Friday's rise. The ruble was stable yesterday and the koruna gained vs the euro – EURCZK was testing 25.1 at the end of the day.

On the **domestic interest rate market** yields remained just below their local peaks while IRS rose slightly above them. The scale of move was small, just like abroad amid no important data releases and absence of the US investors. In our view, Poland bond yields up trend could ease somewhat amid the upcoming domestic data releases – our forecasts are often below the market consensus.

**Today** Poland labour market and construction output data will be released. In both cases, our forecasts are in line or below the market consensus.

### IMF economic growth forecasts

	2020	2021
<b>World</b>	<b>3.3 (-0.1)</b>	<b>3.4 (-0.2)</b>
<b>Developed economies</b>	<b>1.6 (-0.1)</b>	<b>1.6 (0.0)</b>
USA	2.0 (-0.1)	1.7 (0.0)
Euro zone	1.3 (-0.1)	1.4 (0.0)
Germany	1.1 (-0.1)	1.4 (0.0)
France	1.3 (0.0)	1.3 (0.0)
Italy	0.5 (0.0)	0.7 (-0.1)
Spain	1.6 (-0.2)	1.6 (-0.1)
Japan	0.7 (0.2)	0.5 (0.0)
United Kingdom	1.4 (0.0)	1.5 (0.0)
<b>Emerging economies</b>	<b>4.4 (-0.2)</b>	<b>4.6 (-0.2)</b>
China	6.0 (0.2)	5.8 (-0.1)
India	5.8 (-1.2)	6.5 (-0.9)
Emerging Europe	2.6 (0.1)	2.5 (0.0)
<b>World trade volume</b>	<b>2.9 (-0.3)</b>	<b>3.7 (-0.1)</b>

Brackets show difference versus October 2019 forecasts

Source: IMF, Santander

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## FX market

### Today's opening

EURPLN	4.2451	CZKPLN	0.1691
USDPLN	3.8272	HUFPLN*	1.2665
EURUSD	1.1092	RUBPLN	0.0618
CHFPLN	3.9547	NOKPLN	0.4276
GBPPLN	4.9770	DKKPLN	0.5682
USDCNY	6.9061	SEKPLN	0.4016

\*for 100HUF

### Last session in the FX market 20/01/2020

	min	max	open	close	fixing
EURPLN	4.238	4.246	4.242	4.243	4.2447
USDPLN	3.818	3.831	3.823	3.828	3.8277
EURUSD	1.108	1.110	1.109	1.108	-

## Interest rate market 20/01/2020

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.56	0	21 mar 19	OK0521	1.633
PS1024 (5L)	1.99	1	21 mar 19	PS0424	2.209
DS1029 (10L)	2.33	1	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	1.76	0	1.73	0	-0.33	0
2L	1.90	0	1.64	0	-0.31	0
3L	1.95	2	1.61	0	-0.26	0
4L	2.01	2	1.61	0	-0.21	0
5L	2.05	2	1.64	0	-0.16	0
8L	2.10	3	1.72	0	0.02	0
10L	2.13	3	1.78	0	0.14	0

### WIBOR rates

Term	%	Change (bps)
O/N	1.51	0
T/N	1.51	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	1.74	0
6x9	1.76	0
9x12	1.79	0
3x9	1.83	0
6x12	1.86	0

### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.56	1
France	18	1	0.26	0
Hungary			2.42	1
Spain	41	0	0.66	0
Italy	120	1	1.57	0
Portugal	37	1	0.71	0
Ireland	22	1	0.27	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

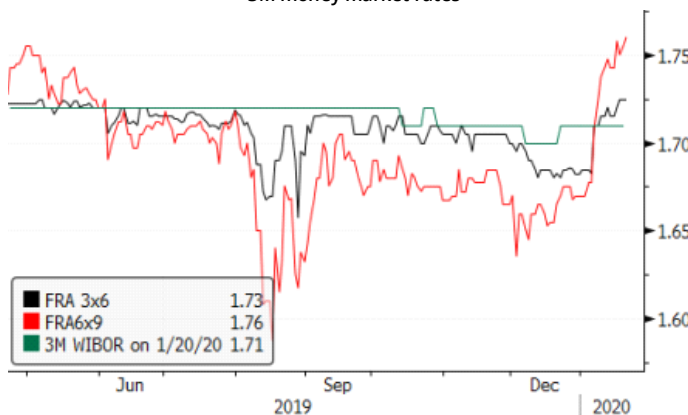
### Zloty exchange rate



### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

Economic calendar								
TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (17 January)								
11:00	EZ	HICP	Dec	% y/y	1.3	-	1.3	1.0
14:30	US	Housing Starts	Dec	% m/m	1.1	-	16.9	2.6
15:15	US	Industrial Production	Dec	% m/m	-0.2	-	-0.3	0.8
16:00	US	Michigan index	Jan	pts	99.3	-	99.1	99.3
TUESDAY (21 January)								
10:00	PL	Employment in corporate sector	Dec	% y/y	2.6	2.6		2.6
10:00	PL	Construction Output	Dec	% y/y	1.3	-1.6		-4.7
10:00	PL	Average Gross Wages	Dec	% y/y	6.1	5.6		5.3
11:00	DE	ZEW Survey Current Situation	Jan	pts	-13.5	-		-19.9
WEDNESDAY (22 January)								
10:00	PL	Sold Industrial Output	Dec	% y/y	6.1	4.8		1.4
10:00	PL	PPI	Dec	% y/y	0.9	1.0		-0.1
16:00	US	Existing Home Sales	Dec	% m/m	1.5	-		-1.65
THURSDAY (23 January)								
10:00	PL	Retail Sales Real	Dec	% y/y	6.6	5.7		5.2
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:30	US	Initial Jobless Claims	week	k	218	-		204
FRIDAY (24 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	44.2	-		43.7
09:30	DE	Markit Germany Services PMI	Jan	pts	52.9	-		52.9
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	46.7	-		46.3
10:00	EZ	Eurozone Services PMI	Jan	pts	52.8	-		52.8
14:00	PL	Money Supply M3	Dec	% y/y	9.3	8.9		9.4

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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