

23 January 2020

Eyeopener

Weak data on Polish industry

Correction of positive market sentiments
 Polish industrial output below expectations
 Zloty a bit weaker, EURUSD down
 Bond market stronger
 Today Poland's retail sales, ECB decision

On Wednesday markets opened in a pretty good mood, but as the day progressed the optimism has been weakening. Stock indices lost their morning gains which supported sovereign bonds and safe haven currencies like JPY, USD or CHF. The US dollar was additionally supported by December new home sales data which significantly exceeded expectations. The sentiment in Asia markets worsened as the authorities have put Wuhan under quarantine to contain the coronavirus.

Today **the ECB meeting** is coming to an end and we think no significant changes regarding monetary policy will be made. It is likely that during the press conference the ECB President Lagarde will announce the start of the previously signalled strategy review. If the outcome of the ECB meeting influences the markets at all it is likely to be the result of the publication of the details of the assessment of the monetary policy efficiency.

Poland industrial output expanded by 3.8% y/y in December 2019, slower than expected. Seasonally-adjusted data showed a decline by 2.9% m/m (the worst since 2009) and a rise by 2.1% y/y. The December set of data (construction, industry) clearly confirms that the Polish economy was slowing down at the end of 2019 and we see growing risk that GDP growth did not exceed 3.5% y/y in 4Q19. Business sentiment indicators for January showed some improvement in industry but taken together do not question our view that 1Q20 will see a further slowdown. Find more in our yesterday's [Economic comment](#).

Today Poland retail sales will be published. Just like in case of industrial output, our estimate of the real sales growth is below the market consensus.

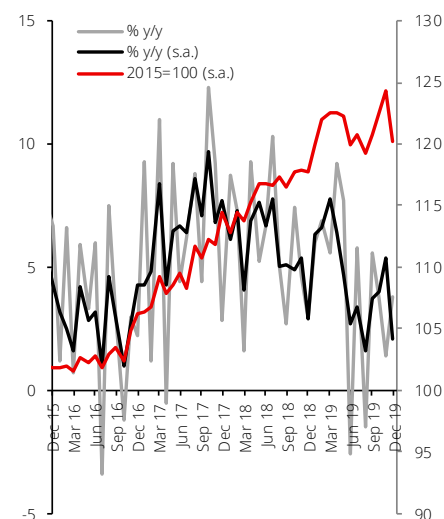
EURUSD was moving around 1.108 yesterday and only after the US real estate data the dollar gained somewhat vs the euro. As a result, the exchange rate set a new January low at c1.107. We still think that in the short term the dollar may still strengthen vs the euro. We do not expect the ECB press conference to influence the EURUSD trade. Tomorrow's flash PMI in January should be more important for the direction of this FX pair.

Yesterday **EURPLN** halved its decline recorded on Tuesday and was close to 4.235 at the end of the day. The zloty also lost versus the dollar (USDPLN returned above 3.82), the pound (GBPPLN climbed above 5.01 from 4.98) and the franc (CHFPLN was below 3.94 only temporarily). The zloty weakening is a result of falling optimism and appreciation of the dollar, in our view. We are expecting EURPLN not to approach 4.22 in the short term.

Other CEE currencies also recorded a depreciation. The forint gave away its entire gains posted versus the euro over the last two days and EURHUF landed above 336 at the end of the day as compared to 334 at the opening. EURCZK also posted a major upward move – to 25.18 from 25.10. Appreciation of the dollar and quite significant decline of oil price (2%) undermined the ruble – USDRUB has been receding from an important support at 61 and approached 62 yesterday.

On **the domestic interest rate market** bonds yields and IRS rates declined for the second day in a row due to weaker global sentiments (which dragged core yields lower) and disappointing Polish data. Changes on the domestic market were less considerable than in case of Bund, so spread to German papers widened a bit. The Finance Ministry informed it is to offer bonds worth PLN4-6bn at the tomorrow's auction.

Poland's Industrial output



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2412	CZKPLN	0.1687
USDPLN	3.8253	HUFPLN*	1.2613
EURUSD	1.1087	RUBPLN	0.0617
CHFPLN	3.9501	NOKPLN	0.4251
GBPPLN	5.0262	DKKPLN	0.5676
USDCNY	6.9286	SEKPLN	0.4024

*for 100HUF

Last session in the FX market 22/01/2020

	min	max	open	close	fixing
EURPLN	4.228	4.242	4.228	4.240	4.237
USDPLN	3.811	3.830	3.812	3.825	3.8202
EURUSD	1.107	1.110	1.109	1.109	-

Interest rate market 22/01/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	offer	Average yield
DS1021 (2L)	1.55	0	21 mar 19	OK0521	1.633
PS1024 (5L)	1.94	1	21 mar 19	PS0424	2.209
DS1029 (10L)	2.26	-2	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	1.75	0	1.70	-1	-0.33	0
2L	1.85	0	1.60	-2	-0.31	0
3L	1.89	-1	1.57	-1	-0.27	-1
4L	1.92	-2	1.57	-1	-0.23	-1
5L	1.95	-3	1.58	-1	-0.18	-1
8L	1.99	-4	1.66	-2	-0.02	-1
10L	2.02	-3	1.72	-2	0.10	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.50	-3
T/N	1.51	-3
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	1.72	0
3x6	1.73	0
6x9	1.75	1
9x12	1.76	1
3x9	1.82	-1
6x12	1.85	-1

Measures of fiscal risk

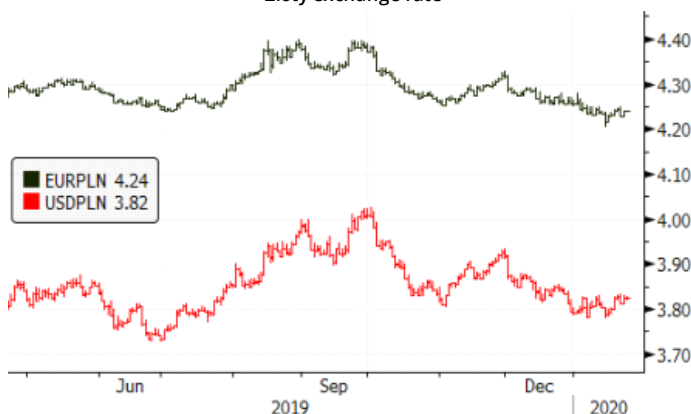
Measures of riskiness				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.53	-1
France	18	0	0.25	0
Hungary			2.47	2
Spain	41	1	0.67	0
Italy	124	3	1.62	-1
Portugal	37	1	0.71	0
Ireland	22	1	0.26	-1
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

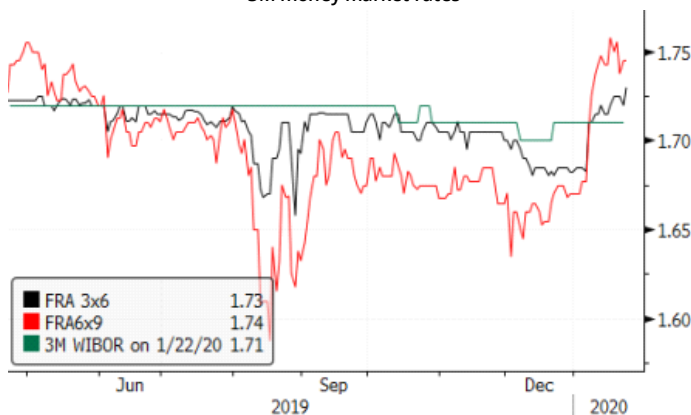
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

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	2.6
10:00	PL	Construction Output	Dec	% y/y	1.3	-1.6	-3.3	-4.7
10:00	PL	Average Gross Wages	Dec	% y/y	6.1	5.6	6.2	5.3
11:00	DE	ZEW Survey Current Situation	Jan	pts	-13.5	-	-9.5	-19.9
WEDNESDAY (22 January)								
10:00	PL	Sold Industrial Output	Dec	% y/y	6.1	4.8	3.8	1.4
10:00	PL	PPI	Dec	% y/y	0.9	1.0	1.0	-0.1
16:00	US	Existing Home Sales	Dec	% m/m	1.5	-	3.6	-1.7
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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