

27 January 2020

Eyeopener

Global mood still shaky

Concerns about the virus persist
Decent European PMIs
Zloty pressured by stronger dollar
Polish yields stable
Today Polish unemployment data, abroad German and US releases

On Friday market sentiment was influenced by the news regarding the spreading of the new coronavirus in China – Asian stock indices have not risen (in China actually fell by 3%), while bond yields and commodities prices (energy, base metals) were under pressure, also as a result of worse than expected Australian PMIs. In Europe, on the other hand, flash PMIs surprised to the upside in the UK and Germany (in Eurozone only in manufacturing) which helped the stock indices move higher by roughly 1.5%. In the global context, the European optimism has not spread around – emerging market currencies were weaker, emerging markets stock indices were lower, especially those in the LATAM. The price of Brent has not changed much around \$61.7/bbl – 14% lower from the early January tops. Gold has not corrected lower in over a week now. This might suggest decent demand for the metal and the \$1620 level (+3.5%) might be breached soon.

Poland M3 money supply grew by 8.3% y/y in December and this is the lowest result in more than a year. In monthly terms money supply expanded by 1.5% m/m which is the weakest December result since 2005. Household's deposits advanced by 9.3% y/y (the only 2019 reading below 10%), while companies deposits increased by 10.1% y/y, the strongest print since mid-2016 (and the only one in 2019 above 10%). Loans adjusted for FX movement grew by 5.2% y/y (markedly below our estimate of nominal GDP growth in 2019), with household loans rising by about 6.6% y/y throughout the year, while corporate loans slowed down from 6% in 1H19 to 3.3% y/y in December (4.2% on average in 4Q19). In nominal terms, consumer loans rose by 8.4% y/y and this was the lowest print since May 2018. Still, PLN-denominated mortgage loans were advancing by 12.3% y/y in December, like in previous months. The declining loan growth rate could contribute to slower GDP growth in Poland.

EURUSD after falling 0.5% on Thursday to 1.104, which probably surprised many traders who were expecting the move higher, on Friday remained around this level and closed only slightly lower than that. Due to still decent short USD positioning which can be seen in FX option prices, we expect that the next significant move will be lower to 1.10 and then 1.09. USD remains bid due to uncertainty related to the Chinese coronavirus.

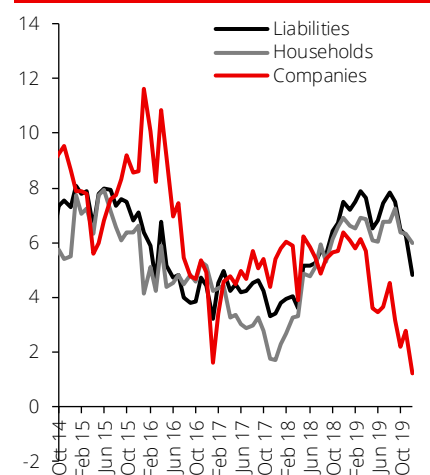
EURPLN rose for another day. After the opening at 4.246 and a temporary drop to 4.239 after the better-than-expected PMI data from Germany, the exchange rate rebounded to 4.26 (+0.5%). We still expect more weakness of the zloty – with the nearest target at 4.27, followed by 4.30 and 4.35. Due to the declining EURUSD and EURCHF, USDPLN and CHFPLN grew significantly – to 3.855 and 3.975, respectively. We think that these moves will go on with the next targets at 3.925 for USDPLN and 4.05 for CHFPLN. GBPPLN close at 5.05 and also in this case we expect a further rise.

In the case of other CEE currencies, on Friday we observed a slight appreciation of the forint and the ruble. The former is moving around the weakest levels ever vs the euro, which means EURHUF could soon go even higher. EURCZK remained stable.

On the domestic interest rate market, Friday was quite stable – yields were moving by only +/-1bp with well-balanced supply and demand. Polish 10Y bond closed at 2.28% and 259bp above Bunds. We expect the spread to widen in 1Q20. On Friday the Ministry of Finance held a bond auction – PLN6bn of debt sold with demand at PLN10bn.

This week, FOMC will decide on rates, in Poland and in the USA important data will be published. The market will continue watching the situation in China. We and the market expect the Fed rates to stay unchanged. The market sees a more than 50% probability of a rate cut by 25bp no sooner than in September. The pricing of further Fed moves may depend on the forthcoming data, including the first estimate of 4Q19 GDP and measures of consumer health.

Banking sector receivables, % y/y



Source: NBP, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 22 534 18 87
Marcin Łuziński +48 22 534 18 85
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 19 23
Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4.2616	CZKPLN	0.1693
USDPLN	3.8625	HUFPLN*	1.2663
EURUSD	1.1033	RUBPLN	0.0620
CHFPLN	3.9774	NOKPLN	0.4254
GBPPLN	5.0470	DKKPLN	0.5702
USDCNY	6.9109	SEKPLN	0.4031

*for 100HUF

Last session in the FX market 24/01/2020

	min	max	open	close	fixing
EURPLN	4.238	4.261	4.247	4.256	4.2461
USDPLN	3.835	3.866	3.843	3.862	3.8475
EURUSD	1.102	1.106	1.105	1.103	-

Interest rate market 24/01/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.51	-1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.90	-4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.24	-1	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	-1	1.68	0	-0.33	-1
2L	1.84	-1	1.55	-1	-0.32	-1
3L	1.86	-2	1.51	-2	-0.30	-1
4L	1.88	-3	1.50	-3	-0.26	-1
5L	1.90	-3	1.51	-3	-0.23	-2
8L	1.95	-2	1.58	-4	-0.08	-3
10L	1.98	-2	1.63	-4	0.03	-3

WIBOR rates

Term	%	Change (bps)
O/N	1.46	5
T/N	1.50	-1
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	1.72	0
6x9	1.74	0
9x12	1.75	0
3x9	1.81	0
6x12	1.84	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.58	-1
France	18	0	0.25	0
Hungary			2.41	-6
Spain	41	-1	0.66	-2
Italy	122	-1	1.41	-16
Portugal	36	0	0.70	-1
Ireland	23	0	0.26	-2
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

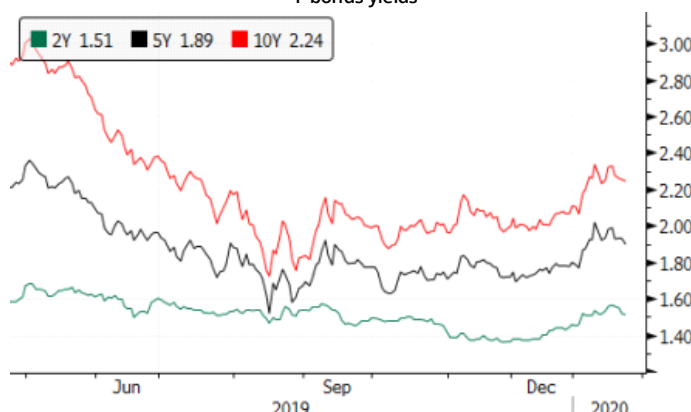
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

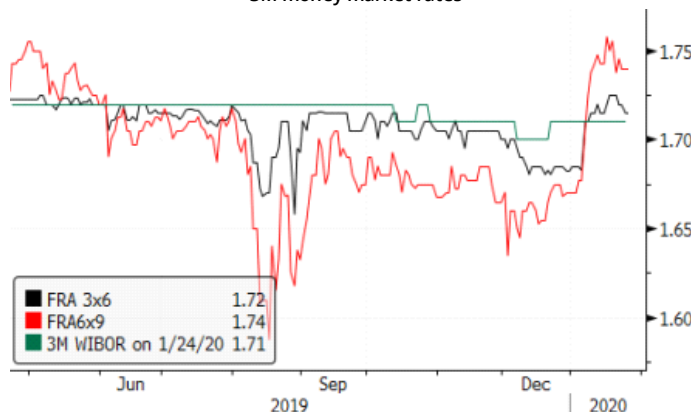
Zloty exchange rate



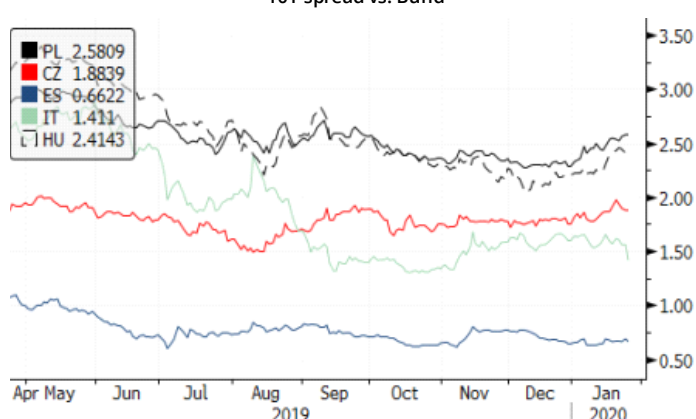
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (24 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	44.5	-	45.2	43.7
09:30	DE	Markit Germany Services PMI	Jan	pts	53.0	-	54.2	52.9
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	46.8	-	47.8	46.3
10:00	EZ	Eurozone Services PMI	Jan	pts	52.8	-	52.2	52.8
14:00	PL	Money Supply M3	Dec	% y/y	9.1	8.9	8.3	9.4
MONDAY (27 January)								
10:00	DE	IFO Business Climate	Jan	pts	97.0	-		96.3
10:00	PL	Unemployment Rate	Dec	%	5.2	5.2		5.1
16:00	US	New Home Sales	Dec	% m/m	1.53	-		1.3
TUESDAY (28 January)								
14:00	HU	Central Bank Rate Decision		%	0.9	-		0.9
14:30	US	Durable Goods Orders	Dec	% m/m	1.2	-		-2.1
16:00	US	Consumer Conference Board	Jan	pts	128.0	-		126.5
WEDNESDAY (29 January)								
10:00	PL	GDP	2019	% y/y	4.2	4.1		5.1
16:00	US	Pending Home Sales	Dec	% m/m	0.65	-		1.2
20:00	US	FOMC decision		%	1.75	-		1.75
THURSDAY (30 January)								
11:00	EZ	Unemployment Rate	Dec	%	7.5	-		7.5
11:00	EZ	ESI	Jan	pct.	101.75	-		101.5
14:00	DE	HICP	Jan	% m/m	-0.75	-		0.6
14:30	US	GDP Annualized	4Q	% Q/Q	2.2	-		2.1
14:30	US	Initial Jobless Claims	week	k	214	-		211
FRIDAY (31 January)								
11:00	EZ	Flash HICP	Jan	% y/y	1.4	-		1.3
11:00	EZ	GDP SA	4Q	% y/y	1.0	-		1.2
14:30	US	Personal Spending	Dec	% m/m	0.3	-		0.4
14:30	US	Personal Income	Dec	% m/m	0.3	-		0.5
14:30	US	PCE Deflator SA	Dec	% m/m	0.2	-		0.2
16:00	US	Michigan index	Jan	pts	99.0	-		99.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.