

28 January 2020

Eyeopener

Zloty still under pressure

Concerns about global growth arise
Zloty weaker, dollar stronger
Polish yields down amid lower core yields
Today in US durable goods orders and consumer sentiment index

On Monday stock markets were in red across the globe due to worries about global economy and worse-than-expected German (ifo) and US data (new home sales). In Asia, Nikkei slumped by 2% (markets in Shanghai and Hong Kong were closed to the Chinese New Year), in Europe market closed by 2.5-3.0% lower and in the USA by about 1.5%. Core market yields were going down (10Y Treasuries to 1.61%), EM currencies were taking hits. Gold price went up to 1582/oz, while energy commodities, including oil and industrial metals were being sold off. Maybe Fed will manage to improve moods, as it could address the global market situation, even though this is not a top priority meeting (no forecasts).

The GUS Statistical Bulletin released yesterday showed that inflation expectations stabilised in January, having reached the highest level in seven years a month earlier. So far their behaviour can still be called a gradual rise in line with CPI (not like in 2006 and 2010 when inflation fears rose quickly and stayed high even before CPI growth surged). Total new industrial orders fell in December by 3.7% y/y, but foreign orders were up 5.5% y/y. This implies a painful drop in domestic orders (which are not reported directly). The December business sentiment indicators warned us of the weakness in new orders, the January set of GUS sentiment indicators do not show any improvement. Detailed data on wages confirmed that mining contributed strongly to the December reading of wage growth in the corporate sector. The growth of wages ex mining returned in December from 5.7% y/y to 6.3% recorded earlier in October. The average growth of this measure in 4Q19 was 6.1% y/y, significantly below 3Q (6.8% y/y) and 1H19 (6.9% y/y).

According to MPC's Jerzy Żyżyński, whose opinion is usually aligned with the view of the governor Adam Glapiński, said rates can stay unchanged until the end of the term (early 2022). He said that the high reading of inflation in December is a one-off and that one needs to stay calm and watch the developments. Once the term is over, a rate cut may be more likely than a hike in his view.

EURUSD traded lower for another day and on Monday closed at 1.102, by 0.25% lower than on Friday. Despite the move and negative sentiment on the markets in general, the options market still stubbornly imply a higher probability of a EURUSD move higher than to the downside. We think this pricing should correct soon and even partial unwinding of the positions should contribute to further strengthening of the USD.

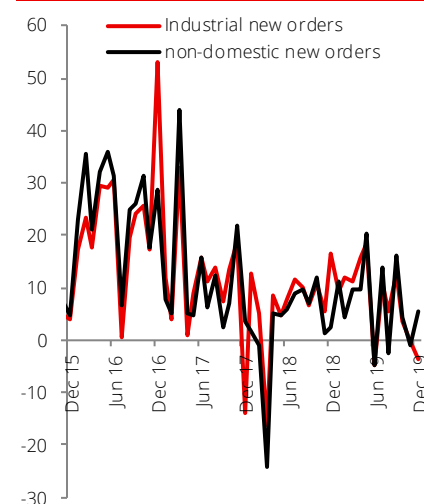
EURPLN in line with our expectations has risen sharply and closed at 4.28 on Monday, 0.6% higher vs Friday close. Overnight the move paused and on Tuesday morning EURPLN opens at 4.276. After the correction we soon expect the upward trend to resume and the next important levels are 4.29 and 4.32. USDPLN closed at 3.882, CHFPLN broke through 4.00 while GBPPLN at 5.07.

Other CEE currencies, along with the global backdrop, also depreciated. EURHUF gained 0.5% to 337.8 – another record print. EURCZK rose a lot as for this currency pair – to 25.26, while USDRUB as much as 1.3% which might partially be caused by cheapening oil – Brent fell 2.6% to \$59/bbl.

On the domestic interest rate market Polish bond yields fell but less than Bund (by 3bp to -0.35%) and so the 10Y PL-DE bond yield spread widened somewhat. We think the spread upside trend could continue and in 1Q20 it may reach at least 270bp. The 10Y asset swap spread rose as well – to 30bp from 27bp.

Today in the US we will see durable goods orders and consumer confidence index. In Hungary, the central bank will decide about the interest rates – we do not expect any change.

Value of new orders in industry, %y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2755	CZKPLN	0.1693
USDPLN	3.8806	HUFPLN*	1.2685
EURUSD	1.1018	RUBPLN	0.0618
CHFPLN	3.9980	NOKPLN	0.4249
GBPPLN	5.0584	DKKPLN	0.5722
USDCNY	6.9109	SEKPLN	0.4034

*for 100HUF

Last session in the FX market 27/01/2020

	min	max	open	close	fixing
EURPLN	4.254	4.279	4.256	4.278	4.2679
USDPLN	3.854	3.886	3.857	3.884	3.8725
EURUSD	1.101	1.104	1.102	1.102	-

Interest rate market

27/01/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	offer	Average yield
DS1021 (2L)	1.50	-2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.86	-4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.21	-3	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	1.64	-4	-0.33	-1
2L	1.82	-2	1.49	-6	-0.34	-2
3L	1.83	-3	1.44	-7	-0.32	-3
4L	1.83	-5	1.43	-8	-0.30	-3
5L	1.84	-6	1.43	-8	-0.26	-4
8L	1.89	-6	1.50	-8	-0.13	-5
10L	1.92	-6	1.55	-8	-0.02	-5

WIBOR rates

Term	%	Change (bps)
O/N	1.18	-28
T/N	1.26	-24
SW	1.53	-1
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	1.71	-1
6x9	1.73	-1
9x12	1.74	-1
3x9	1.80	-2
6x12	1.82	-2

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.59	-4
France	18	0	0.26	0
Hungary			2.48	2
Spain	40	-1	0.66	0
Italy	121	-7	1.42	-1
Portugal	36	-1	0.69	0
Ireland	23	0	0.25	-6
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

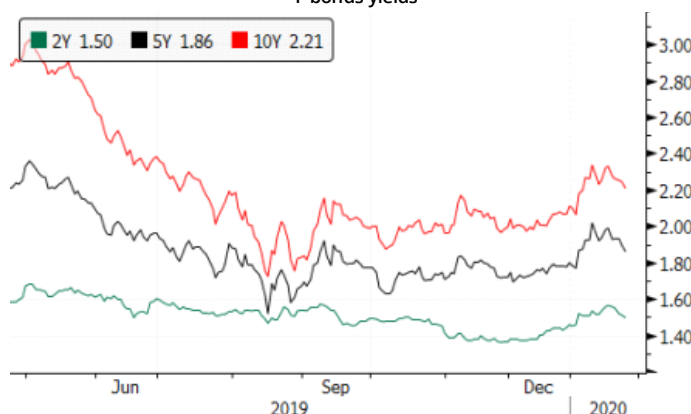
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

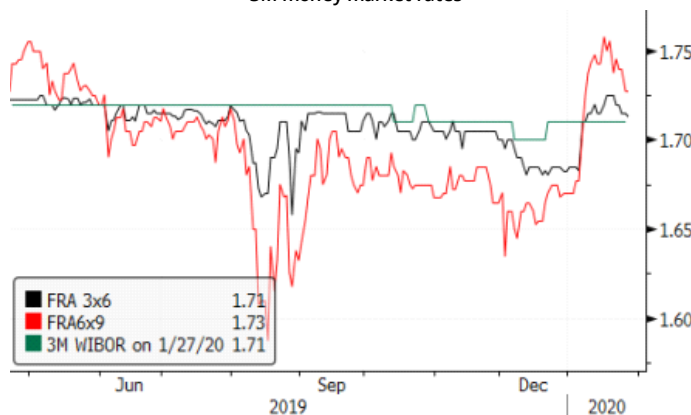
Zloty exchange rate



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	-	95.9	96.3
10:00	PL	Unemployment Rate	Dec	%	5.2	5.2	5.2	5.1
16:00	US	New Home Sales	Dec	% m/m	1.5	-	-0.4	-1.1
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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