

30 January 2020

Eyeopener

Slowdown deeper than expected

Weak economic activity in Poland at the year-end
FOMC meeting without surprise
Zloty weaker again, EURUSD roughly stable
Polish yields only slightly down
Today US 4Q19 GDP first release

On Wednesday markets awaited the FOMC meeting. Stock indices both on the developed as well as emerging markets grew by 0.5% except for Hong Kong where market caught up lower after it opened post-holiday. The US dollar gained which implied losses for most of the emerging market currencies.

In the context of financial markets it is important to ask when the PBoC (China's central bank) will return to work after the Chinese Lunar New Year (this Friday or some day next week or later?) and if it will ease monetary policy straight away (the market is talking about the increasing liquidity via open market operation) and if yes in what a scale. At the moment those are only of speculative nature however it is reasonable to remain alert and not become surprised if PBoC undertakes such steps.

US central bankers unanimously **decided to keep main Fed interest rate unchanged**, in line with expectations. According to the FOMC, US economy was expanding in moderate pace and the labour market was strong, which, together with inflation staying slightly below 2%, justified maintaining the current state in monetary policy. The statement did not relate directly to the threat for the economy stemming from the spreading virus, but during the press conference the Fed governor Powell referred to this issue. In general, the tone of the statement and the press conference was quite dovish and US bond yields fell slightly. Dollar and equity markets did not react very clearly to signals from the FOMC.

Poland GDP growth in 2019 was 4.0% according to flash estimate, below forecasts, and means that in 4Q19 the economy grew by c3% y/y (somewhere in the 2.8-3.1% range, assuming no revisions of previous quarters). Private consumption seems to be the source of disappointment and net exports might have contributed negatively in the final quarter of 2019. On the other hand, investments most likely accelerated vs 3Q despite sharp drop in construction. The data will support interest rates stability given the current rhetoric of the MPC. Find more in our yesterday's [Economic comment](#).

EURUSD remained close to 1.10 for the better part of the day, which suggests influence of FX options with sort maturities. Only after their expiry it is likely that the exchange rate would move more – we think more likely is a decrease, towards 1.09.

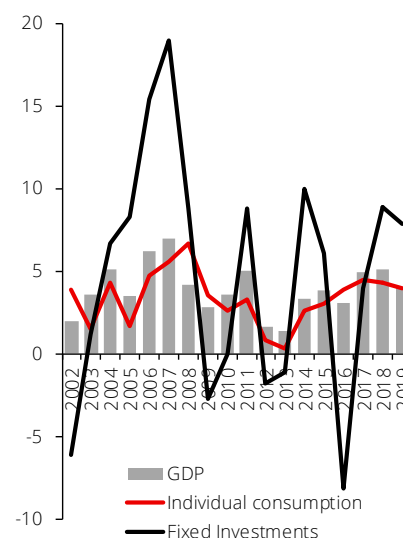
EURPLN reacted to worse than expected 2019 GDP growth data and increased by 0.4% to 4.286, zloty was one of the worst performing emerging market currencies globally. We wrote many times that we expect the weaker zloty, and yesterday's data only strengthen our view. CHFPLN closed at 3.992, USDPLN at 3.898 while GBPPLN at 5.068.

In the case of other CEE currencies, we observed a gentle appreciation of the forint and the koruna: EURHUF dropped by 0.3% to 337.4, EURCZK by 0.1% to 25.2. On the other hand, the ruble saw a large loss, with USDRUB going up by 0.8% to 62.63. Next week the central banks of Czechia and Russia will hold meetings. In Czechia the main central bank rate is at 2.00% and FRA markets are pricing a c70% probability of a 25bp rate hike at the Thursday meeting. In the case of Russia, FRA markets do not see any changes at the Friday meeting, the main rate is expected to stay at 6.25%.

On the Polish fixed income market, despite the weak Polish data, bonds did not gain much and we expect this to reflect the slow pace in which foreign investors are closing their positions. We think the tendency will continue, with rising yields on the long end of the curve (10Y may reach 2.50%) and a widening of the spread to Bund, in particular if the zloty weakens quickly and not gradually.

Today in the euro zone there is unemployment rate release, German HICP inflation for January, US 4Q GDP and initial jobless claims.

GDP growth, % y/y



Source: GUS, 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	4.2854	CZKPLN	0.1696
USDPLN	3.8914	HUFPLN*	1.2674
EURUSD	1.1013	RUBPLN	0.0617
CHFPLN	4.0048	NOKPLN	0.4227
GBPPLN	5.0581	DKKPLN	0.5735
USDCNY	6.9109	SEKPLN	0.4036

*for 100HUF

Last session in the FX market 29/01/2020

	min	max	open	close	fixing
EURPLN	4.270	4.286	4.272	4.286	4.2766
USDPLN	3.873	3.899	3.881	3.894	3.8871
EURUSD	1.099	1.103	1.101	1.101	-

Interest rate market 29/01/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.49	-2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.86	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.22	-3	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	1.73	-1	1.64	-1	-0.35	-1
2L	1.82	-2	1.50	-2	-0.35	-1
3L	1.83	-2	1.45	-2	-0.32	-2
4L	1.84	-2	1.44	-2	-0.29	-2
5L	1.86	-2	1.44	-3	-0.25	-2
8L	1.90	-3	1.51	-3	-0.11	-2
10L	1.93	-3	1.57	-3	0.00	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.21	-29
T/N	1.48	-2
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	1.73	-1
9x12	1.74	-1
3x9	1.80	-1
6x12	1.83	-1

Measures of fiscal risk

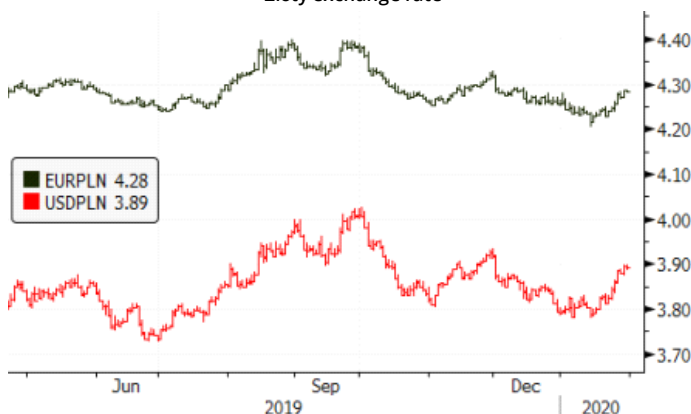
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.63	0
France	18	-1	0.26	0
Hungary			2.53	3
Spain	39	-1	0.68	1
Italy	112	-4	1.36	3
Portugal	35	-2	0.69	1
Ireland	23	0	0.26	1
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

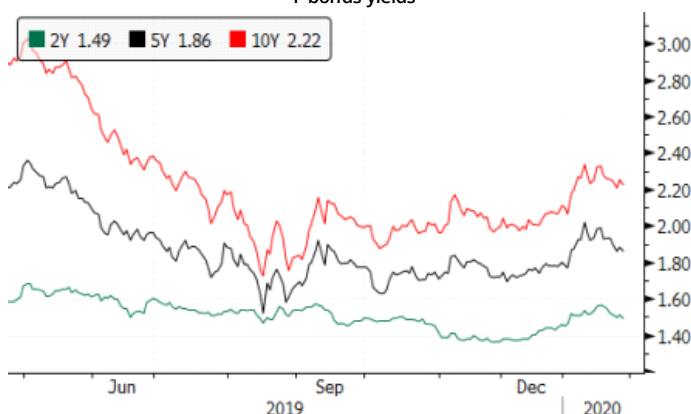
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME 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	0.9
14:30	US	Durable Goods Orders	Dec	% m/m	0.3	-	2.4	-2.1
16:00	US	Consumer Conference Board	Jan	pts	128.0	-	131.6	128.2
WEDNESDAY (29 January)								
10:00	PL	GDP	2019	% y/y	4.2	4.1	4.0	5.1
16:00	US	Pending Home Sales	Dec	% m/m	0.6	-	-4.9	1.2
20:00	US	FOMC decision		%	1.75	-	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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.