

4 February 2020

Eyeopener

Improved sentiment in US industry

Calm start of the week on global markets

Global data surprised positively, Polish PMI worse than expected

Zloty stable vs the euro, EURUSD down

Polish bond yields went up

Today new orders data in the USA

On Monday the trading on the markets was relatively calm. Stock indexes in Europe rose slightly and bonds lost slightly as concerns about the impact of the coronavirus on the global growth eased somewhat. Additionally, the European and US data were better than expected. Final manufacturing PMIs for German and the whole euro zone were higher than initially estimated and the US ISM climbed above 50 pts after five months of running below this level. Among the ISM components, the biggest improvement was recorded in case of new orders (+9.5pts m/m) and output (+9.5pts m/m) and both sub-indexes returned above 50 pts.

Polish manufacturing PMI fell in January to 47.4 pts, while market consensus and we assumed a small rise m/m. It was the first drop after three months of improvement and the 15th consecutive reading below the neutral mark of 50 pts. The main factors behind the index deterioration were worsening sub-indices of employment and delivery times. New orders kept declining, but at a slightly slower pace than before. Pace of production decline stabilised. Cost pressure kept weakening, although prices of finished goods increased most in five months. Despite the lower headline PMI, Polish firms' expectations about the future improved and were the most optimistic in eight months. Still, the survey paints a quite downbeat picture of situation in Polish industry, especially that probably it has not reflected yet the recent wave of uncertainty related to the spread of coronavirus.

The **central bank's quarterly loan survey** showed that in 4Q19 the credit criteria have been tightened (particularly in case of consumer loans) and demand for loans fell (particularly for long-term corporate loans and mortgages). Banks plan to tighten the lending criteria further in 1Q20 and expect a rise of demand for consumer loans. Banks have clearly underlined the risk related to the current economic situation as the main factor behind tighter criteria for corporates and in a lesser extent for consumer loans. The survey still points to lower demand from corporates for financing of investments.

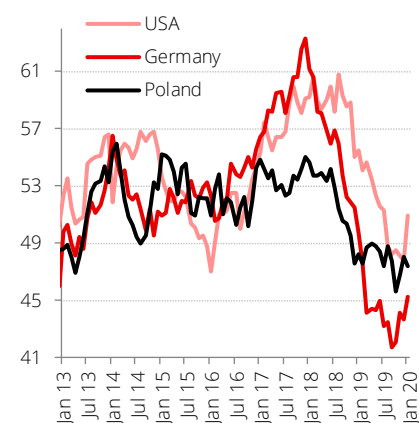
EURUSD, after this year's biggest upward move recorded on Friday, trimmed almost all its increase on Monday. The biggest part of the US dollar appreciation took part even before the US data release. The exchange rate moved from 1.109 to 1.104. Today we will see next publications overseas, but we think that market reaction will be limited and investors will focus bigger attention on tomorrow's ADP jobs report.

EURPLN traded yesterday at an elevated level near 4.295 while USDPLN have risen to 3.89 from 3.875. On the one hand the zloty has not gained after better than expected US and European data but on the other hand the dollar appreciation vs the euro has not weakened the currency much. In the context of regional currencies the zloty underperformed both the forint and koruna yesterday both of which gained vs euro. After 3 weeks of dynamic gains EURPLN moved back to 4.30 which is roughly the middle of the 4.25-4.35 horizontal range within which the currency pair had been trading for the most of the period since mid-2018. It is likely that EURPLN will remain near this level for some time awaiting a stronger market impulse.

On the Polish **fixed income market** the yields in the belly and the long end increased by 2-4bp thanks to a slight improvement in global market sentiment and better than expected data from the USA and Europe. 5Y and 10Y IRS rates moved higher by 4bp. On the core markets the Bund yield increased by 1bp, while that of the 10Y UST by over 5bp.

Yesterday the Ministry of Finance issued 5Y EUR1.5bn worth of Eurobonds for which there was EUR6.0bn demand. The yield was set 19bp over 5Y EUR IRS.

Manufacturing activity indexes



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2973	CZKPLN	0.1705
USDPLN	3.8875	HUFPLN*	1.2755
EURUSD	1.1054	RUBPLN	0.0612
CHFPLN	4.0161	NOKPLN	0.4204
GBPPLN	5.0476	DKKPLN	0.5751
USDCNY	6.9897	SEKPLN	0.4033

*for 100HUF

Last session in the FX market 03/02/2020

	min	max	open	close	fixing
EURPLN	4.289	4.305	4.297	4.301	4.3034
USDPLN	3.872	3.892	3.874	3.889	3.8864
EURUSD	1.104	1.110	1.108	1.106	-

Interest rate market 03/02/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.46	-1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.81	4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.15	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	1.72	0	1.57	3	-0.37	0
2L	1.78	0	1.42	4	-0.37	0
3L	1.80	2	1.36	4	-0.36	0
4L	1.80	2	1.35	4	-0.33	0
5L	1.82	2	1.36	4	-0.30	0
8L	1.87	4	1.43	4	-0.17	0
10L	1.90	4	1.49	3	-0.06	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.52	1
T/N	1.53	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	1.71	0
6x9	1.71	0
9x12	1.70	0
3x9	1.79	0
6x12	1.79	0

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.58	1
France	18	0	0.26	0
Hungary			2.51	3
Spain	38	0	0.68	0
Italy	108	-1	1.39	-1
Portugal	34	-1	0.71	0
Ireland	23	-1	0.30	1
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

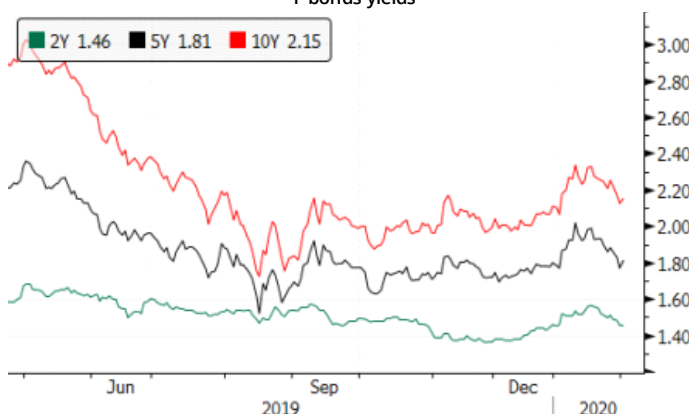
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

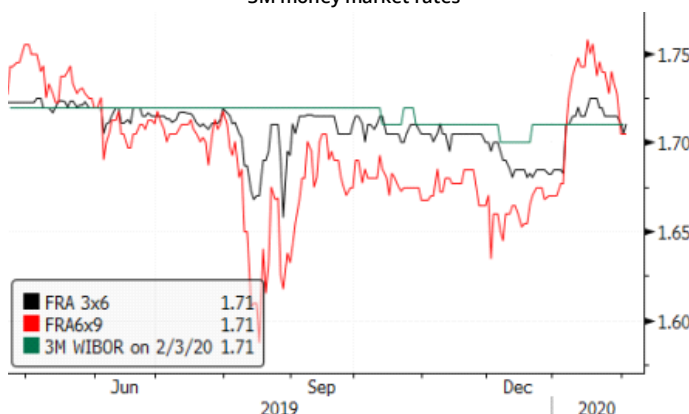
Zloty exchange rate



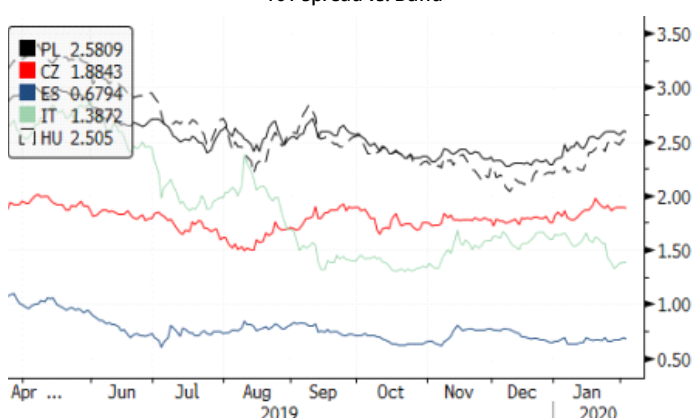
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
CET				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (31 January)							
08:00	DE	Retail Sales	Dec	% m/m	-0.5	-3.3	1.6
11:00	EZ	Flash HICP	Jan	% y/y	1.4	1.4	1.3
11:00	EZ	GDP SA	4Q	% y/y	1.1	1.0	1.2
14:30	US	Personal Spending	Dec	% m/m	0.3	0.3	0.4
14:30	US	Personal Income	Dec	% m/m	0.3	0.2	0.4
14:30	US	PCE Deflator SA	Dec	% m/m	0.2	0.3	0.1
16:00	US	Michigan index	Jan	pts	99.1	99.8	99.1
MONDAY (3 February)							
09:00	PL	Manufacturing PMI	Jan	pts	48.1	48.2	47,4
09:55	DE	Manufacturing PMI	Jan	pts	45.2	-	45,3
10:00	EZ	Manufacturing PMI	Jan	pts	47.8	-	47,9
16:00	US	ISM manufacturing	Jan	pts	48.3	-	50,9
TUESDAY (4 February)							
16:00	US	Durable Goods Orders	Dec	% m/m	2.4	-	2.4
16:00	US	Factory Orders	Dec	% m/m	1.2	-	-0.7
WEDNESDAY (5 February)							
	PL	MPC decision		%	1.50	1.50	1.50
02:45	CN	Caixin China PMI Services	Jan	pts	52.0	-	52.5
09:55	DE	Services PMI	Jan	pts	54.2	-	54.2
10:00	EZ	Services PMI	Jan	pts	52.2	-	52.2
11:00	EZ	Retail Sales	Dec	% m/m	-0.5	-	1.0
14:15	US	ADP report	Jan	k	150	-	201
16:00	US	ISM services	Jan	pts	55.1	-	55.0
THURSDAY (6 February)							
08:00	DE	Factory Orders	Dec	% m/m	0.55	-	-1.3
09:00	CZ	Industrial Production	Dec	% y/y	1.8	-	-5.7
09:00	HU	Industrial Production	Dec	% y/y	0.0	-	5.66
13:00	CZ	Central Bank Rate Decision		%	2.0	-	2.0
14:30	US	Initial Jobless Claims	week	k	215	-	216
FRIDAY (7 February)							
08:00	DE	Exports	Dec	% m/m	0.3	-	-2.3
08:00	DE	Industrial Production	Dec	% m/m	-0.2	-	1.1
14:30	US	Change in Nonfarm Payrolls	Jan	k	160	-	145
14:30	US	Unemployment Rate	Jan	%	3.5	-	3.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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