

7 February 2020

Eyeopener

German industry still on the back foot

Optimism lost its strength
Zloty gave back some of the gain, EURUSD tests 1.10
Domestic debt strong after the switch auction
Today US monthly labour market report

On Thursday the global market sentiment was moderately positive. Equities and yields were on the rise again but less so than in the previous two days. In case of the EM currencies, less than half of them gained vs the euro and the dollar. In the afternoon, data about lower-than-expected US weekly initial jobless claims was released that might have supported the greenback. The dollar could have also gained after the comment of Dallas Fed governor. Robert Kaplan said that he expects solid economic growth this year in the US while the market still sees non-zero probability of rate cuts later in 2020. Today in the morning we saw next disappointing economic activity data from Germany (after the yesterday's sub-consensus new orders reading). In December, German exports rose by 0.1% m/m while 0.5% m/m was expected and the industrial output contracted by 3.5% m/m vs consensus at -0.2% m/m. This implies that annual pace of output growth fell deeper into negative territory – to -6.8% from -2.5% y/y, which is the weakest result seen since the global financial crisis.

EURUSD has been hovering near 1.10 for a long time, and only at the end of the day it started more aggressively to test the support, which has stopped the dollar from stronger appreciation already three times. At the end of the Polish session the rate was close to 1.096.

EURPLN and USDPLN rebounded yesterday after two days of strong declines. The first returned above 4.25 from 4.24, the latter neared 3.88, cancelling Wednesday's decline. We think that in the near term the zloty is not likely to resume appreciation and further profit taking is more likely.

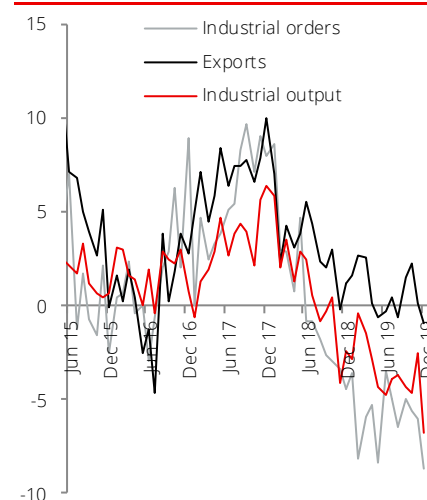
Among **other regional currencies** it was the Czech koruna which performed the best after CNB hiked rates by 25bp to 2.25% in a surprise move. As a result EURCZK fell briefly below 24.9 – the lowest level since October 2012. EURCZK quickly bounced back higher however and gave back half of the down move. The reason for the rebound might have been the fact that the motion for a hike was won only by 4-3. The forint and the ruble weakened a bit yesterday – EURHUF moved to above 337 from 336 partially as a result of the worse than expected industrial production, while USDRUB moved towards 63.5 from 62.5 at the opening which might be explained by slightly cheaper oil.

On the Polish **fixed income market**, Thursday has not brought significant changes to the IRS market. Only the bond yields moved lower by around 3bp. Polish debt outperformed other European bond markets after a switch auction at which the Ministry of Finance sold PLN6.3bn worth of POLGBs and after which it informed that a decent 70% of gross financing needs for the year have been covered.

S&P analyst covering Poland Frank Gill said yesterday that the agency feels comfortable with the current Poland's rating at A- with a stable outlook. In his view, the main challenges for Poland for the next 2-4 years include lower inflow of EU funds and trends on the labour market, especially the opening of EU border for Ukrainian workers. The S&P planned the review of Poland's rating for April 10.

Yesterday the European Parliament decided that on Tuesday at the plenary session there will be **another debate about the rule of law in Poland**, due to deepening of the problem since the last discussion in mid-January.

German economic activity, %y/y



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 06/02/2020

	min	max	open	close	fixing
EURPLN	4.242	4.260	4.246	4.258	4.3034
USDPLN	3.856	3.884	3.860	3.880	3.8864
EURUSD	1.097	1.101	1.100	1.098	-

Interest rate market 06/02/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	offer	Average yield
PS0422 (2L)	1.53	8	21 mar 19	OK0521	1.633
PS1024 (5L)	1.81	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.14	-4	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	1.71	-1	1.63	0	-0.36	0
2L	1.78	-1	1.51	0	-0.35	0
3L	1.80	1	1.46	0	-0.33	0
4L	1.81	-1	1.46	0	-0.29	0
5L	1.84	-1	1.47	0	-0.25	-1
8L	1.89	-1	1.54	0	-0.11	-1
10L	1.92	-1	1.60	0	0.01	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.49	1
T/N	1.51	1
SW	1.54	-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	0
6x9	1.70	0
9x12	1.68	-1
3x9	1.79	1
6x12	1.79	0

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.53	-3
France	17	0	0.25	0
Hungary			2.44	2
Spain	36	0	0.66	0
Italy	99	0	1.33	-1
Portugal	33	0	0.70	0
Ireland	22	-1	0.28	0
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

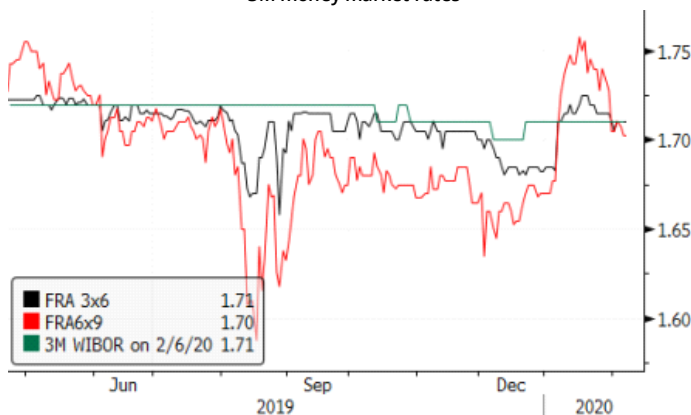
Zloty exchange rate



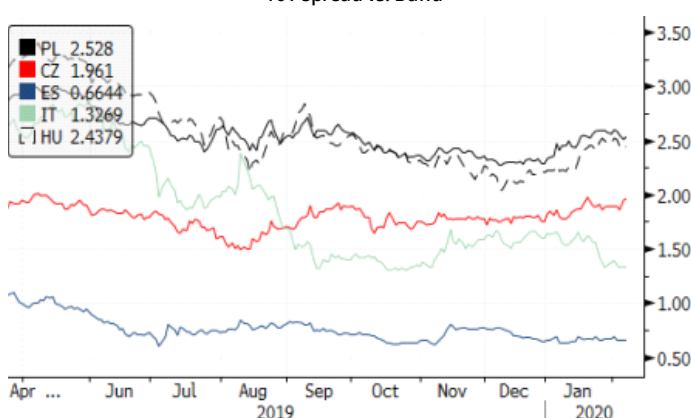
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		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	48.0
09:55	DE	Manufacturing PMI	Jan	pts	45.2	-	45,3	45.2
10:00	EZ	Manufacturing PMI	Jan	pts	47.8	-	47,9	47.8
16:00	US	ISM manufacturing	Jan	pts	48.3	-	50,9	47.8
TUESDAY (4 February)								
16:00	US	Durable Goods Orders	Dec	% m/m	2.4	-	2.4	2.4
16:00	US	Factory Orders	Dec	% m/m	1.2	-	1.8	-1.2
WEDNESDAY (5 February)								
	PL	MPC decision		%	1.50	1.50	1.50	1,50
02:45	CN	Caixin China PMI Services	Jan	pts	52.0	-	51.8	52,5
09:55	DE	Services PMI	Jan	pts	54.2	-	54.2	54,2
10:00	EZ	Services PMI	Jan	pts	52.2	-	52.5	52,2
11:00	EZ	Retail Sales	Dec	% m/m	-1.1	-	-1.6	0,8
14:15	US	ADP report	Jan	k	158	-	291	199
16:00	US	ISM services	Jan	pts	55.1	-	55.5	54,9
THURSDAY (6 February)								
08:00	DE	Factory Orders	Dec	% m/m	0.6	-	-2.1	-0.8
09:00	CZ	Industrial Production	Dec	% y/y	1.8	-	-0.9	-5.7
09:00	HU	Industrial Production	Dec	% y/y	0.0	-	-3.7	5.3
13:00	CZ	Central Bank Rate Decision		%	2.00	-	2.25	2.00
14:30	US	Initial Jobless Claims	week	k	215	-	202	217
FRIDAY (7 February)								
08:00	DE	Exports	Dec	% m/m	0.5	-	0.1	-2.2
08:00	DE	Industrial Production	Dec	% m/m	-0.2	-	-3.5	1.2
14:30	US	Change in Nonfarm Payrolls	Jan	k	163	-		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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