

10 February 2020

Eyeopener

Empty calendar at the start of week

Correction of optimism at the end of week
Zloty weaker, EURUSD lower
Polish bonds outperform core debt
Today no important data releases

Friday started relatively calmly, as markets were awaiting Chinese trade data and US non-farm payrolls. However, release of Chinese data was postponed until February. Meanwhile, hard economic data from Europe (December industrial output in Germany and France) proved worse than expected, leading to deterioration of the market sentiments. Another wave of declining optimism appeared in the afternoon despite better-than-expected US data (non-farm payrolls added 225k versus expectations at 165k, with 3M average jumping to 209k): stock markets were in red, EM currencies lost (USDCNH above 7.0%), the dollar and US bonds gained, while precious metals prices went up (gold at \$1570/oz).

After falling on Thursday evening, **EURUSD** started the day at 1.098, then was hovering around 1.096 and ended the day close to 1.095. Thus, the rate finally managed to break the support at 1.098 and set a new 2020 minimum. This behaviour suggested that we are in a region, where investors hoping for a stronger economic growth in Europe (and thus higher EURUSD) are wrestling with supporters of stronger dollar. There are no important data releases today, so the trade should be stabilising ahead of tomorrow's speech of Fed head before the US politicians.

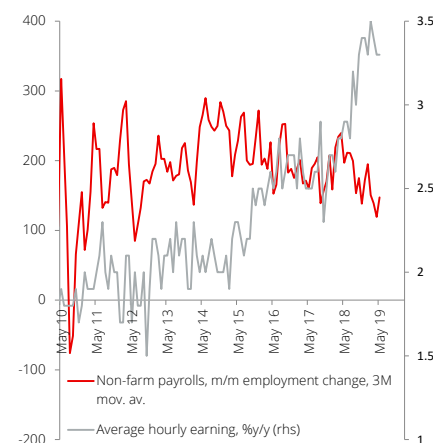
EURPLN and USDPLN were going up, similarly as most other EM currencies, the zloty weakened by about 0.4% and was an average performance in the EM world, outperforming high-yielders, which were more considerable losers on Friday. Given circumstances, especially risk of more pronounced economic slowdown in China, we are not expecting the zloty to gain further in the nearest term.

Among other regional currencies it was the Russian rouble which performed worst – lost 1.1% vs the dollar because of the general market mood, cheapening oil and also after the Central Bank of Russia (CBR) cut interest rates by 25bp to 6.25%. CBR Governor Nabiullina said that if the situation develops in line with the baseline forecast, the bank of Russia holds open the prospect of further key rate reductions at upcoming meetings. In 2020 the CBR expects inflation in the 3.5-4.0% range and around 4% after that. EURHUF and EURCZK rose by 0.2% to 338.6 and 25.05 respectively. In the meantime the EURHUF managed to set an all-time high at 339.19.

On the Polish fixed income market on Friday yields fell further significantly which one can only partially explain via core markets yields decline. Polish bond and swap curves lowered by 6-8bp and got flatter in 2x10 years thanks to decent demand from both local and international investors. US yield curve lowered by 3-5bp and UST closed at 1.59%. However, the German yield curve declined by only 1bp partially as a result of increased speculation regarding the launch of the fiscal programme in Germany. 10Y German bonds closed at -0.38% while the 10Y PL-DE spread narrowed to 245bp. Last week Polish debt outperformed core markets bonds and this trend might continue in the short term.

This week, we will have to wait until Friday to see any meaningful data releases, mainly from the US. On Tuesday and Wednesday there is Fed's governor Powell testimony before Congress. In Poland the GDP and CPI data might have a dovish tilt. Regarding inflation we expect that after the accelerating in December to 3.4% y/y, the inflation will only slightly raise above 4%. In our baseline scenario we assume that the January print will be also this year's highest one. At the end of the week the preliminary Q4 2019 GDP will be published as well and is likely to confirm the slowdown from the end of the year which was already indicated by the GDP for the whole 2019. The Q4 GDP is likely to fall to 3% from 3.9% in Q3.

Selected US labour market data



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2704	CZKPLN	0.1706
USDPLN	3.8987	HUFPLN*	1.2634
EURUSD	1.0954	RUBPLN	0.0612
CHFPLN	3.9878	NOKPLN	0.4218
GBPPLN	5.0244	DKKPLN	0.5715
USDCNY	6.9790	SEKPLN	0.4045

*for 100HUF

Last session in the FX market 07/02/2020

	min	max	open	close	fixing
EURPLN	4.258	4.276	4.258	4.273	4.2664
USDPLN	3.877	3.906	3.880	3.904	3.8947
EURUSD	1.094	1.099	1.098	1.095	-

Interest rate market 07/02/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0422 (2L)	1.50	-2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.76	-4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.08	-6	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	1.71	0	1.59	-4	-0.36	0
2L	1.75	-3	1.46	-5	-0.36	0
3L	1.75	-5	1.41	-6	-0.34	-1
4L	1.77	-4	1.40	-6	-0.30	-1
5L	1.79	-5	1.41	-6	-0.26	-1
8L	1.83	-6	1.48	-6	-0.12	-2
10L	1.85	-6	1.54	-6	-0.01	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.52	3
T/N	1.53	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	1.71	0
6x9	1.69	-1
9x12	1.67	-1
3x9	1.78	-1
6x12	1.77	-2

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.47	-6
France	17	1	0.25	0
Hungary			2.39	-1
Spain	36	0	0.67	0
Italy	99	-1	1.34	2
Portugal	33	0	0.70	0
Ireland	22	1	0.29	2
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

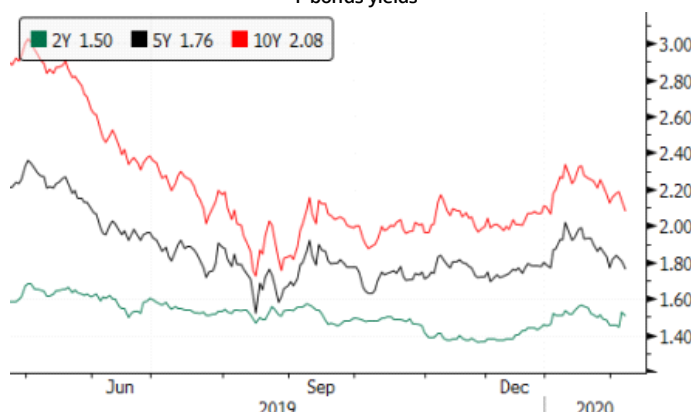
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

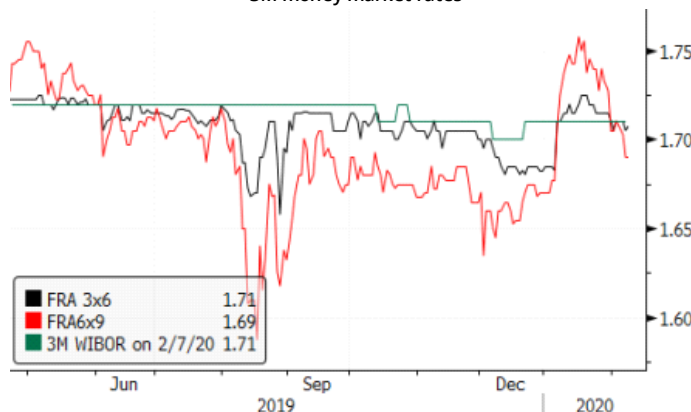
Zloty exchange rate



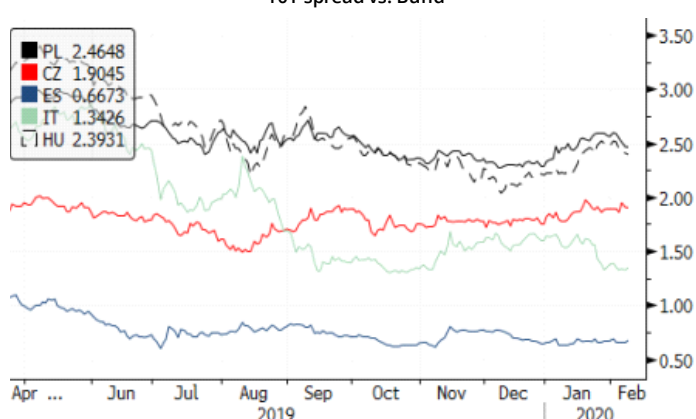
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
FRIDAY (7 February)								
08:00	DE	Exports SA	Dec	% m/m	0.5	-	0.1	-2.3
08:00	DE	Industrial Production SA	Dec	% m/m	-0.15	-	-3.5	1.1
14:30	US	Change in Nonfarm Payrolls	Jan	k	165	-	225	147
14:30	US	Unemployment Rate	Jan	%	3.5	-	3.6	3.5
MONDAY (10 February)								
No important data releases								
TUESDAY (11 February)								
No important data releases								
WEDNESDAY (12 February)								
11:00	EZ	Industrial Production SA	Dec	% m/m	-0.5	-		0.2
THURSDAY (13 February)								
08:00	DE	HICP	Jan	% m/m	-0.8	-		-0.8
09:00	HU	CPI	Jan	% y/y	4.4	-		4.0
14:00	PL	Current Account Balance	Dec	€mn	-571	-551		1 457
14:00	PL	Trade Balance	Dec	€mn	-775	-811		829
14:00	PL	Exports	Dec	€mn	16 710	16 712		20 238
14:00	PL	Imports	Dec	€mn	17 690	17 523		19 409
14:30	US	CPI	Jan	% m/m	0.2	-		0.2
14:30	US	Initial Jobless Claims	week	k	215	-		202
FRIDAY (14 February)								
08:00	DE	GDP WDA	4Q	% y/y	0.4	-		0.5
09:00	CZ	GDP SA	4Q	% y/y	2.0	-		2.5
09:00	CZ	CPI	Jan	% y/y	3.1	-		3.2
09:00	HU	GDP	4Q	% y/y	4.25	-		5.0
10:00	PL	CPI	Jan	% y/y	4.1	4.1		3.4
10:00	PL	Flash GDP	4Q	% y/y	3.0	3.0		3.9
11:00	EZ	GDP SA	4Q	% y/y	1.0	-		1.0
14:30	US	Retail Sales Advance	Jan	% m/m	0.3	-		0.3
15:15	US	Industrial Production	Jan	% m/m	-0.3	-		-0.3
16:00	US	Michigan index	Feb	pts	98.9	-		99.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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