

11 February 2020

Eyeopener

Production in Europe keeps falling

Low market volatility on Monday
Zloty stronger vs euro, stable against dollar and franc; EURUSD lower
Polish debt stable in absolute and relative terms
Today minor data releases in USA, speeches by Fed and ECB governors

Monday was a calm day on the markets, without any important economic data releases from the euro zone and the USA. In China, January inflation was a big upside surprise at 5.4% y/y (vs 4.5% in December and expectations at 4.9% y/y), amid much higher food prices (for example, pork price went up by 116% y/y in China) among other factors. In Italy, the December industrial output also was far from expectations, but in the other direction: analysts awaited -0.4% y/y and the outcome was -4.3%. It was another negative surprise of this sort after the poor December production data published last week in Germany (-6.8% y/y) and in France (-3.0% y/y), which does not bode well for the prospects of economic rebound in the euro zone. Stock exchanges of the developed and emerging economies ended the European session with marginal gains, albeit the US stock indexes reached new highs; energy and industrial commodities prices declined. EM currencies, including the zloty, remained mostly stable, with the exception of depreciating currencies of Latin America.

EURUSD started the day at 1.095 – unchanged versus the Friday close and was hovering around this level for the better part of the day. At the end of the session the dollar started to gain and the exchange rate fell by 0.2% to 1.093. This was the sixth day in a row of downward EURUSD move and the last time such a streak was observed in August 2019. The pair could approach 1.09, in our view, unless there are some positive news on coronavirus.

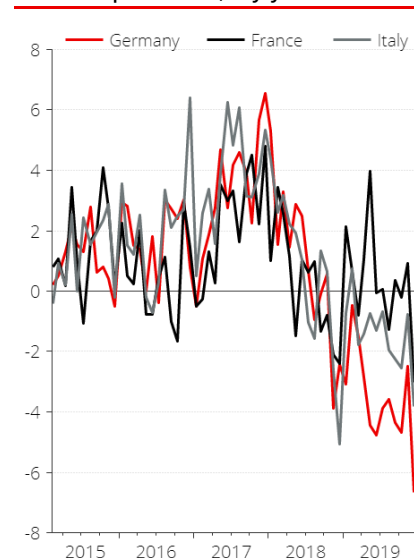
EURPLN opened at 4.274 and then was declining for the better part of the day to end the session at 4.265. USDPLN did not change as the dollar gained, and closed the day at 3.903. CHFPLN followed a similar path and remained unchanged at 3.993 as EURCHF broke 1.07. We are expecting no major zloty strengthening this week. Market-driving data is due for release at the end of the week.

As for **other regional currencies** it was EURHUF which moved lower by 0.3% to 337.7. From the technical analysis perspective it looks like the currency pair have established a pattern called “bearish engulfing” which might mean that the pair corrects lower in the near future. EURCZK remained unchanged at 25.03. Czech unemployment rate was at 3.1% in January, by 0.2pp higher than a month ago, but in line with expectations. As for USDRUB, the currency pair traded up to 0.8% lower during the day following closely the RUB basket only to bounce higher during the second half of the day and close at 64.15. Brent fell by 1% to \$54.0, and its further declines might significantly weaken the Russian currency.

On the **Polish fixed income market** Monday was a relatively calm day. Yields of 10Y POLGBs remained in the vicinity of 2.06-2.07% almost unchanged versus Friday. German Bund yields lowered by 2bp to -0.40%. The size of the decline in yields in 10Y UST was similar and the Treasuries closed at 1.57%. Polish 10Y asset swap closed at 23bp, while 10Y PL-DE spread at 246bp.

Today, there are no key data releases. We will get to see Chinese money supply, UK GDP for 4Q19, CPI in Portugal, US NFIB index of optimism in small companies and December JOLTS data (job openings). Also the Fed president is to testify before the US Congress and the ECB president is to speak in the European Parliament.

Industrial production, % y/y



Source: Refinitiv Datastream, 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	4.2640	CZKPLN	0.1704
USDPLN	3.9082	HUFPLN*	1.2619
EURUSD	1.0910	RUBPLN	0.0610
CHFPLN	3.9956	NOKPLN	0.4215
GBPPLN	5.0447	DKKPLN	0.5706
USDCNY	6.9763	SEKPLN	0.4042

*for 100HUF

Last session in the FX market 10/02/2020

	min	max	open	close	fixing
EURPLN	4.262	4.276	4.272	4.272	4.2699
USDPLN	3.891	3.915	3.904	3.915	3.8996
EURUSD	1.091	1.096	1.095	1.091	-

Interest rate market 10/02/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0422 (2L)	1.51	1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.74	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.06	-2	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	1.70	-1	1.56	-3	-0.36	-1
2L	1.73	-2	1.41	-4	-0.36	-1
3L	1.73	-2	1.37	-4	-0.35	-1
4L	1.74	-2	1.36	-4	-0.32	-2
5L	1.76	-3	1.37	-5	-0.29	-2
8L	1.80	-2	1.44	-5	-0.15	-3
10L	1.83	-3	1.50	-4	-0.05	-4

WIBOR rates

Term	%	Change (bps)
O/N	1.51	-1
T/N	1.52	-1
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	1.70	-1
6x9	1.68	-1
9x12	1.65	-2
3x9	1.78	0
6x12	1.77	0

Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.46	-3
France	18	-1	0.24	0
Hungary			2.36	-6
Spain	36	-1	0.67	0
Italy	98	4	1.35	-1
Portugal	33	-1	0.70	0
Ireland	23	-2	0.28	-2
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

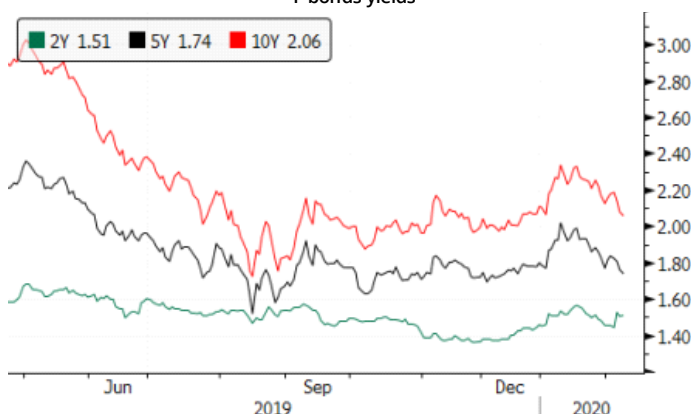
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

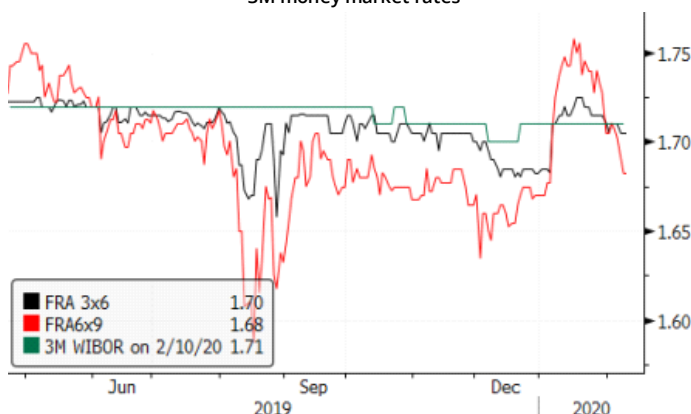
Zloty exchange rate



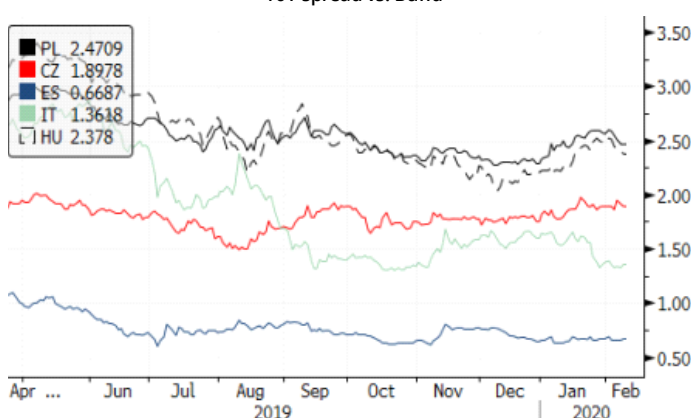
T-bonds yields



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

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.