

17 February 2020

# Eyeopener

## Awaiting data

Calm end of the week  
GDP in line, CPI above expectations  
Zloty stable, bonds slightly stronger  
Today lack of important data releases

Friday's session was pretty calm and the intraday changes were smaller than on the previous day. Stock indexes were hovering around their recent peaks, core bonds continued stabilization that has been observed since the beginning of month while safe currencies (dollar, franc, yen) gave up part of their recent gains. The euro zone and US data were close to the consensus. Nevertheless, it seems that the market is aware that in the historical data there is no evidence of the coronavirus impact on the global growth. Thus, tomorrow's February German ZEW and Friday's flash February PMIs for the euro zone could be much more interesting.

Poland **inflation rate** climbed to 4.4% in January, higher than we expected. The jump was partly explained by prices of food and energy, but not entirely, as according to our estimate core CPI ex food and fuel rose to 3.3-3.5% y/y. At the same time, flash GDP data confirmed that the economic growth slowed substantially to 3.1% y/y in 4Q19. We think that the data will not change substantially the Polish central bank's rhetoric – the MPC will keep arguing that the slowing economy makes the inflation's rise unlikely to be persistent. More in the [comment](#).

The **MPC's Grażyna Ancyparowicz** said that January inflation reading is above the Council's expectations, but the optimism makes her believe now CPI will recede to 3.5%, yet it is unclear whether this level will be reached in June, as was suggested by the last Inflation Report. According to Ancyparowicz, it would be a mistake to hike rates now, as it would result in cooling the economy down further. The MPC member added that the GDP path from the March projection could go down even by 1pp versus the previous version. She is especially worried about weakening private consumption. Thus, Ancyparowicz would consider cutting rates at some point of time.

**EURUSD** On Friday EURUSD fell for the ninth day in a row and was close to 1.083 at the end of the day. The exchange rate was really close to an important support at 1.08. Today the trade should remain calm awaiting first signals on impact of coronavirus on the global economy.

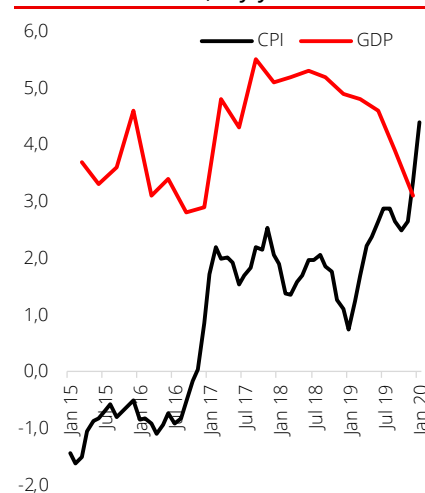
**EURPLN** fell below 4.24 at the start of the session but failed to stay below the level for the rest of the day. A mix of slightly better than expected GDP growth and much higher than expected inflation did not cause a significant market reaction. Since the first Wednesday of February, EURPLN moves in the 4.235-4.28 range – the positive influence of rising stock indexes is in our view offset by the appreciating US dollar. We think that EURPLN will likely go up from the current level rather than down.

In the case of **other CEE currencies**, the ruble was the least volatile, with USDRUB hanging close to 63.5. EURHUF dropped for the time being to 335 from 337 after stronger than expected GDP data (a day earlier inflation came higher than expected and triggered some remarks from the central bankers). EURCZK declined at the start of the session to 24.78 but at the end of the day was back to 24.86. The weaker than expected 4Q GDP in Czechia might have worked against the koruna.

On the **domestic interest rate market** IRS and bond yields fell 3-4bp despite upside inflation surprise. It seems that the upside rates move observed since the beginning of the past week was driven by expectations for a hawkish data set and their actual release triggered profit taking. Just like in the previous days, Bund and Treasuries were stable and so the 10Y PL-DE bond yield spread narrowed somewhat. We think that soon the market could start to price in the scenario of deterioration of the Polish fiscal metrics (amid slower economic growth) while could lead to widening of the PL-DE yield spread.

**This week**, we will get flash PMIs with declines being widely expected due to coronavirus, among other factors. In Poland, there a broad set of economic data will be published, including industrial output and retail sales. Our forecasts are a bit more positive than the market ones when it comes to industrial output and retail sales, but they still point to a continuation of the economic slowdown in 1Q. Last week the Polish government sent its reply to the European Court of Justice regarding the changes in the Supreme Court. The decision to temporarily suspend the Disciplinary Chamber may be taken now by the ECJ deputy governor Rosario Silva de Lapuerta or she can pass it to the Grand Chamber of the Court for a hearing. However, there are no dates fixed yet for this case.

Poland GDP and CPI, % y/y



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.2478	CZKPLN	0.1707
USDPLN	3.9192	HUFPLN*	1.2667
EURUSD	1.0838	RUBPLN	0.0619
CHFPLN	3.9913	NOKPLN	0.4240
GBPPLN	5.1121	DKKPLN	0.5686
USDCNY	6.9800	SEKPLN	0.4035

\*for 100HUF

### Last session in the FX market 14/02/2020

	min	max	open	close	fixing
EURPLN	4.237	4.254	4.247	4.248	4.2402
USDPLN	3.907	3.925	3.917	3.923	3.9098
EURUSD	1.083	1.086	1.084	1.083	-

## Interest rate market 14/02/2020

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	offer	Average yield
PS0422 (2L)	1.59	-1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.84	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.18	-4	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	1.72	0	1.59	-1	-0.38	0
2L	1.81	-1	1.46	-1	-0.37	-1
3L	1.82	-1	1.41	-2	-0.35	-1
4L	1.83	-2	1.40	-2	-0.32	-1
5L	1.86	-3	1.41	-2	-0.29	-1
8L	1.93	-2	1.48	-3	-0.15	-2
10L	1.94	-3	1.53	-3	-0.04	-2

## WIBOR rates

Term	%	Change (bps)
O/N	1.53	3
T/N	1.53	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	1.71	0
6x9	1.72	0
9x12	1.71	-1
3x9	1.79	0
6x12	1.81	1

## Measures of fiscal risk

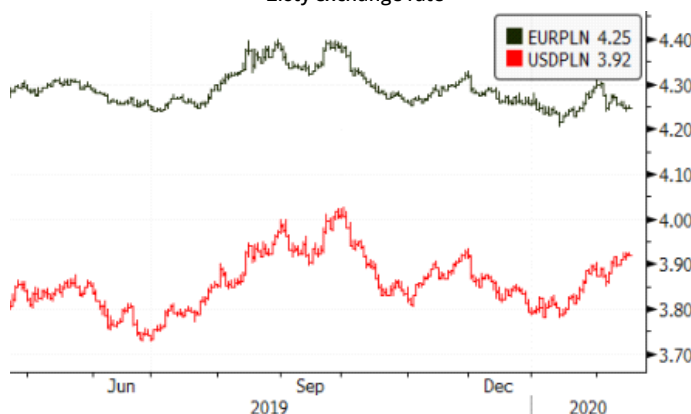
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.59 -2
France	15	0.24 0
Hungary		2.66 5
Spain	33	0.69 1
Italy	97	1.32 3
Portugal	31	0.69 1
Ireland	18	0.29 -1
Germany	9	- -

\* 10Y treasury bonds over 10Y Bunds

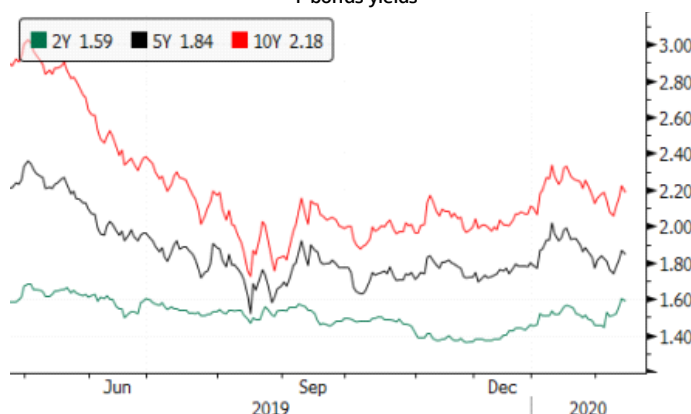
\*\*Information shows bid levels on the interbank market at the end of the trading day

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 (14 February)								
08:00	DE	GDP WDA	4Q	% y/y	0.3	-	0.4	0.5
09:00	CZ	GDP SA	4Q	% y/y	2.0	-	1.7	2.5
09:00	CZ	CPI	Jan	% y/y	3.15	-	3.6	3.2
09:00	HU	GDP	4Q	% y/y	4.3	-	4.5	5.0
10:00	PL	CPI	Jan	% y/y	4.15	4.1	4.4	3.4
10:00	PL	Flash GDP	4Q	% y/y	3.0	3.1	3.1	3.9
11:00	EZ	GDP SA	4Q	% y/y	1.0	-	0.9	1.0
14:30	US	Retail Sales Advance	Jan	% m/m	0.3	-	0.3	0.2
15:15	US	Industrial Production	Jan	% m/m	-0.2	-	-0.3	-0.4
16:00	US	Michigan index	Feb	pts	99.45	-	100.9	99.8
MONDAY (17 February)								
No important data releases								
TUESDAY (18 February)								
11:00	DE	ZEW Survey Current Situation	Feb	pts	-8.0		-	-9.5
WEDNESDAY (19 February)								
10:00	PL	Employment in corporate sector	Jan	% y/y	2.1	1.6		2.6
10:00	PL	Average Gross Wages	Jan	% y/y	7.0	6.1		6.2
14:30	US	Housing Starts	Jan	% m/m	-12.9	-		16.9
20:00	US	FOMC Meeting Minutes						
THURSDAY (20 February)								
10:00	PL	Sold Industrial Output	Jan	% y/y	-0.6	-0.1		3.8
10:00	PL	PPI	Jan	% y/y	1.0	0.5		1.0
14:30	US	Initial Jobless Claims	week	k	210	-		205
14:30	US	Index Philly Fed	Feb	pts	10.0	-		17.0
FRIDAY (21 February)								
09:30	DE	Germany Manufacturing PMI	Feb	pts	44.8	-		45.3
09:30	DE	Markit Germany Services PMI	Feb	pts	53.5	-		54.2
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	47.5	-		47.9
10:00	EZ	Eurozone Services PMI	Feb	pts	52.2	-		52.5
10:00	PL	Construction Output	Jan	% y/y	-3.2	-4.0		-3.3
10:00	PL	Retail Sales Real	Jan	% y/y	4.0	4.5		5.7
11:00	EZ	HICP	Jan	% y/y	1.4	-		1.4
16:00	US	Existing Home Sales	Jan	% m/m	-1.1	-		3.5

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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