

20 February 2020

Eyeopener

Consumer confidence still deteriorating

Optimism comes back to markets

Zloty stable vs euro but weaker vs the dollar

Polish bonds gain

Today Polish sold industrial output and more data from the US

A slower increase in new coronavirus infections, expectations for further stimulus in China and better-than-expected US housing market data supported the global market mood. Stock markets were going up, US indices set new all-time highs, which did not undermine the core market bonds, remaining in a horizontal trend. Most EM currencies lost versus the dollar yesterday, as the greenback was underpinned by strong US numbers.

Minutes of the FOMC meeting held on 28-29 January, when the Committee unanimously decided to keep the Fed Funds rate unchanged at 1.50-1.75%, showed that central banks view the current monetary policy bias as appropriate "for a time" to support sustained expansion of economic activity and labour market conditions in the USA. Household consumer spending is probably based on solid fundamentals thanks to positive labour market, rising incomes and healthy balances. The Committee judged that the coronavirus spread is a risk factor in economic forecasting and demands close monitoring. As regards the financial stability, central bankers were worried about economic imbalances – too high asset prices and indebtedness. Moreover, the repo operations are likely to end after April.

Poland **corporate wage growth** accelerated to 7.1% y/y with the minimum wage hike possibly adding 1 pp, and underlying momentum most likely remaining robust. Corporate employment rose in January by 1.1% y/y, less than expected, but note that the January data is under strong effect of change in the statistical sample. In our view, however, the demand for labour in Poland is weakening and this should also rein in the wage growth in the months to come. The accelerating inflation is consuming a large part of higher wage growth and this is translating into falling consumer confidence. In our view, the labour market and consumer confidence numbers are in line with a further slowdown in private consumption in 1Q2020. Find more in our [yesterday's Economic comment](#).

EURUSD managed to slightly breach the Tuesday minimum but at the end of the day was close to 1.078 – almost unchanged from the open. The volatility of the FX pair were significantly lower than a day earlier. It seems that in the recent days the positive news from the US economy strengthen the dollar and this even despite slightly lower risk aversion. Today in the afternoon there are US data which might influence the dollar at least in the short term.

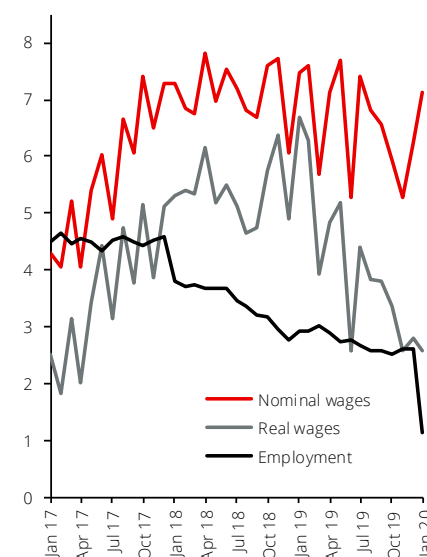
EURPLN remained stable after three consecutive sessions of a rise and stayed in a narrow 4.265-4.275 range. USDPLN rose slightly above 3.96. The zloty does not benefit from the decent global market mood and apparently it is more dependent on the dollar performance.

As regards **other CEE currencies**, the ruble outperformed as it strengthened vs the dollar thanks to a noticeable rebound of the oil price (the other commodities also gained yesterday). EURCZK stabilized after a Tuesday's rise. The forint performed the worse as it gave up roughly half of gains recorded vs the euro since last Wednesday. EURHUF rose to nearly 337 from just below 334.

On the **domestic interest rate market**, IRS and bond yields fell by c2-5bp though the intraday scale of move was even twice of that. Polish bonds outperformed core debt (that remained stable) and euro zone peripheries (smaller gain). As a result, PL-DE 10Y bond yield spread was close to 256bp at the end of the day. Today, the bond switch auction will take place and its results could affect the mood on the Polish FI market.

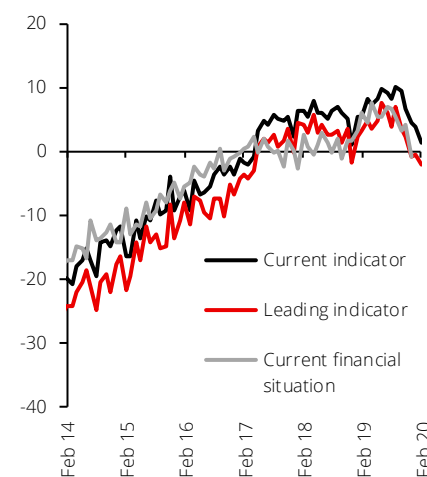
Today at 10:00CET we will see Poland January industrial and construction output data. In our view, industry decelerated at the beginning of the year due to lower number of working days and continued slowdown abroad. Our forecast assumes smaller contraction than the market expects.

Wage and employment growth in the corporate sector, % y/y



Source: GUS, Santander

Consumer confidence, pts



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2683	CZKPLN	0.1711
USDPLN	3.9561	HUFPLN*	1.2668
EURUSD	1.0790	RUBPLN	0.0621
CHFPLN	4.0189	NOKPLN	0.4252
GBPPLN	5.1035	DKKPLN	0.5715
USDCNY	7.0127	SEKPLN	0.4034

*for 100HUF

Last session in the FX market 19/02/2020

	min	max	open	close	fixing
EURPLN	4.265	4.275	4.269	4.270	4.2732
USDPLN	3.948	3.963	3.951	3.957	3.9556
EURUSD	1.078	1.081	1.080	1.079	-

Interest rate market 19/02/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0422 (2L)	1.54	-1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.79	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.13	-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	1	-0.38	1
2L	1.79	-1	1.45	2	-0.38	1
3L	1.79	-1	1.40	2	-0.37	0
4L	1.79	-3	1.39	2	-0.34	0
5L	1.81	-4	1.40	2	-0.31	-1
8L	1.87	-3	1.46	2	-0.18	-1
10L	1.89	-4	1.51	2	-0.08	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.50	0
T/N	1.51	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	1.70	-1
9x12	1.70	-1
3x9	1.79	0
6x12	1.79	-1

Measures of fiscal risk

Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.55 -3
France	15	0.24 0
Hungary		2.72 1
Spain	34	0.69 0
Italy	99	1.36 -2
Portugal	31	0.69 0
Ireland	18	0.28 -1
Germany	8	- -

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

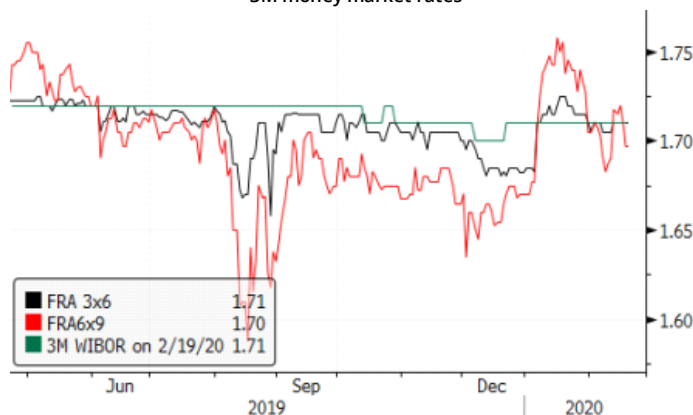
Zloty exchange rate



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	-10.0	-	-15.7	-9.5
WEDNESDAY (19 February)								
10:00	PL	Employment in corporate sector	Jan	% y/y	2.2	1.6	1.1	2.6
10:00	PL	Average Gross Wages	Jan	% y/y	7.0	6.1	7.1	6.2
14:30	US	Housing Starts	Jan	% m/m	-11.7	-	-3.6	17.7
20:00	US	FOMC Meeting Minutes						
THURSDAY (20 February)								
10:00	PL	Sold Industrial Output	Jan	% y/y	-0.4	-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	11.0	-		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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