

25 February 2020

Eyeopener

Significant sentiment swings

Strong rise of risk aversion
Zloty and its CEE peers under pressure
Polish bonds gain
Today in Poland unemployment rate, in Hungary central bank decision

On Monday markets were operating in risk-off moods after weekend news on further dynamic expansions of coronavirus outside of China, including Italy. Stock markets in Asia (Australia, Hong Kong) ended the day with 2% losses, while Europe lost 4% and Italian equities even 6%. Core market yields declined markedly (Bund by 4bp, UST by 9bp), all the EM currencies lost and energy commodities prices went down, with Brent giving away 6% (down to USD55.7) and gold price jumping by 2% to USD1680oz. As regards macro releases, German Ifo indices were above expectations. Dallas Fed also, but insignificantly. Today at the start of the session the moods are markedly improved and equities are gaining after the Monday sell-off.

In January, Poland M3 money supply rose by 9.3% y/y, more than the market had expected (8.8%) and more than our forecast (9.0%), compared to 8.3% y/y for December. Total deposit growth returned to 9.5% y/y after a large deceleration in December. This was due to continuation of two trends: weakening of household deposit growth (to 9.1% y/y, the lowest in more than a year, due to further drop in term deposits) and acceleration in corporate deposits (to 13% y/y, the highest since mid-2016, due to a recovery in term deposits after the December decline). On the credit side, corrected for the FX changes, the data showed a y/y rise of 5.3% vs 5.2% previously – household credit kept increasing by 6.6% y/y (this was also the 2H19 average), while corporate credit accelerated from 3.3% y/y to 3.8% which however is still one of the weakest prints of the last three years. The growth of PLN-denominated consumer loans continues to fall gradually – to 8.6% y/y in January from almost 10% in September. At the same time PLN-denominated mortgage loans keeps growing at a similar pace to the previous months, 12.4% y/y, which happens to be the strongest pace in more than four years.

EURUSD after it spiked to 1.086 on Friday post weaker US PMIs, on Monday the exchange rate tried to trade lower taking advantage of the higher global risk aversion. However, it has not even reached 1.08 which might point that the long USD trade is pretty crowded and in the short term further dollar gains might be limited. As a result, the USD might be slightly weaker in the short term. On Monday EURUSD closed at 1.086 – the same as Friday close.

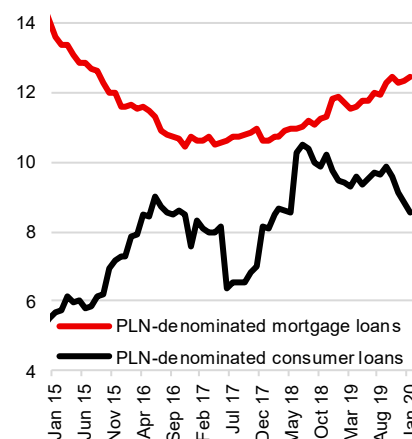
EURPLN rose with other emerging market currencies – EURPLN closed at 4.304, up 0.4% on the day and only slightly higher than the January maximum of 4.302. If the exchange rate was to remain at this level it would suggest likelihood of further weakening toward 4.31-32 area. However on today's open EURPLN tries to trade below 4.30 thanks to calmer markets globally. On the crosses CHFPLN closed at 4.055, USDPLN at 3.965 while GBPPLN at 5.125.

Other CEE currencies were weakening similar to all EM currencies, but at a different the scale. The ruble lost the most vs the dollar – 2.2% to 65.45. The Czech koruna was, surprisingly, the worst performing CEE currency and EURCZK rose by 1% to 25.27 after a streak of worse-than-expected consumer and business confidence indicators for February. The Hungarian forint saw a minor loss vs the euro, 0.6% to 338.2 and did not go above the last week's peak – it is doing relatively well vs CEE peers and we expect this to continue in the coming days.

On the Polish fixed income market yields fell significantly following the core markets. The yield of 10Y POLGBs fell by around 10bp to below 2%. Both yield curves (swap and bonds) flattened, asset swap slightly narrowed to 24bp, while a 10Y spread vs Bund narrowed to 245bp.

Today we will see Poland January Unemployment rate, in Hungary the central bank decides about the interest rates while in the afternoon in the US the consumer confidence index is due.

Household credit growth, %y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.3007	CZKPLN	0.1705
USDPLN	3.9639	HUFPLN*	1.2737
EURUSD	1.0850	RUBPLN	0.0612
CHFPLN	4.0456	NOKPLN	0.4247
GBPPLN	5.1291	DKKPLN	0.5757
USDCNY	7.0131	SEKPLN	0.4073

*for 100HUF

Last session in the FX market 24/02/2020

	min	max	open	close	fixing
EURPLN	4.285	4.306	4.290	4.304	4.3017
USDPLN	3.952	3.983	3.955	3.959	3.9772
EURUSD	1.081	1.087	1.085	1.087	-

Interest rate market 24/02/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0422 (2L)	1.49	-4	21 mar 19	OK0521	1.633
PS1024 (5L)	1.68	-7	21 mar 19	PS0424	2.209
DS1029 (10L)	1.96	-9	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	1.42	-9	-0.38	-1
2L	1.73	-5	1.25	-12	-0.39	-2
3L	1.70	-7	1.19	-13	-0.38	-2
4L	1.68	-7	1.17	-13	-0.36	-3
5L	1.69	-9	1.17	-13	-0.34	-3
8L	1.70	-11	1.23	-12	-0.23	-4
10L	1.73	-11	1.28	-12	-0.10	1

WIBOR rates

Term	%	Change (bps)
O/N	1.50	-3
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	1.71	0
6x9	1.69	-1
9x12	1.64	-5
3x9	1.79	0
6x12	1.76	-2

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.43	-10
France	15	-1	0.25	0
Hungary			2.62	-8
Spain	34	1	0.69	0
Italy	100	11	1.44	5
Portugal	32	1	0.70	-2
Ireland	21	-2	0.29	-3
Germany	9	-1	-	-

* 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



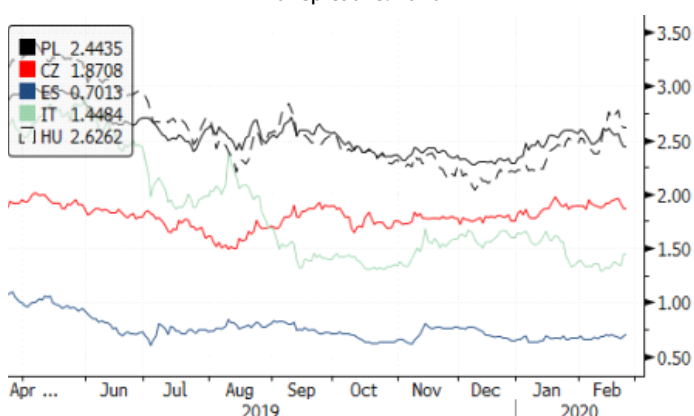
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (21 February)								
09:30	DE	Flash Manufacturing PMI	Feb	pts	44.8	-	47.8	45.3
09:30	DE	Flash Services PMI	Feb	pts	53.8	-	53.3	54.2
10:00	EZ	Flash Manufacturing PMI	Feb	pts	47.4	-	49.1	47.9
10:00	EZ	Flash Services PMI	Feb	pts	52.3	-	52.8	52.5
10:00	PL	Construction Output	Jan	% y/y	-3.6	-4.0	6.5	-3.3
10:00	PL	Retail Sales Real	Jan	% y/y	4.1	4.5	3.4	5.7
11:00	EZ	HICP	Jan	% y/y	1.4	-	1.4	1.3
16:00	US	Existing Home Sales	Jan	% m/m	-1.8	-	-1.3	3.9
MONDAY (24 February)								
10:00	DE	IFO Business Climate	Feb	pts	95.3	-	96.1	96.0
14:00	PL	Money Supply M3	Jan	% y/y	8.8	9.0	9.3	8.3
TUESDAY (25 February)								
08:00	DE	GDP WDA	4Q	% y/y	0.4	-	0.4	0.4
10:00	PL	Unemployment Rate	Jan	%	5.5	5.5		5.2
14:00	HU	Central Bank Rate Decision		%	0.90	-		0.90
16:00	US	Consumer Conference Board	Feb	pts	132.1	-		131.6
WEDNESDAY (26 February)								
16:00	US	New Home Sales	Jan	% m/m	2.31	-		-0.4
THURSDAY (27 February)								
11:00	EZ	ESI	Feb	pct.	102.4	-		102.8
14:30	US	Durable Goods Orders	Jan	% m/m	-1.5	-		2.4
14:30	US	GDP Annualized	4Q	% q/q	2.2	-		2.1
14:30	US	Initial Jobless Claims	week	k	211	-		210
16:00	US	Pending Home Sales	Jan	% m/m	2.0	-		-4.9
FRIDAY (28 February)								
09:00	HU	GDP	4Q	% y/y	4.5	-		4.5
10:00	PL	GDP	4Q	% y/y	3.1	3.1		3.9
10:00	PL	Private consumption	4Q	% y/y	-	3.5		3.9
10:00	PL	Investments	4Q	% y/y	-	7.3		4.7
14:00	DE	HICP	Feb	% m/m	0.4	-		-0.8
14:30	US	Personal Spending	Jan	% m/m	0.3	-		0.3
14:30	US	Personal Income	Jan	% m/m	0.3	-		0.2
14:30	US	PCE Deflator SA	Jan	% m/m	0.1	-		0.3
16:00	US	Michigan index	Feb	pts	100.6	-		100.9

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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