

26 February 2020

# Eyeopener

## Zloty stable despite risk aversion

High risk aversion persists  
Zloty and its CEE peers stable or slightly weaker  
Polish bonds gain but not too much  
Today US real estate market data

Tuesday was another day of selloff in the equity markets, although the start of the session was giving hopes for a slight rebound. Ultimately, indices in Europe and USA fell again strongly, yet less than on Monday. Changes in emerging markets' currencies were mixed – although the small declines were dominating, especially in the first part of the day, some currencies, including Chinese yuan, were strengthening, even despite weak trade data for January (i.e. before the virus) released in Hong Kong. Core debt markets stabilised (yields declined only slightly) similarly as crude oil. Gold price fell c.2%, to USD1650.

**According to information in the Statistical Bulletin**, in January wage growth in the corporate sector ex mining rose to 7.3% y/y from 6.3% – the highest growth since May 2019, achieved thanks to the large rise of the minimum wage. In industry, the value of new orders rose by 5.5% y/y in total and foreign orders by 8.8%. This is not enough to claim the sector is to recover from the slowdown, especially that GUS business sentiment indicators on new orders (current and expected) declined in February to the lowest levels in 3.5 years. Consumer inflation expectations rose further in February, to the highest levels in more than seven years, it previously stayed around this level when CPI was growing c4% y/y.

The government approved a draft of the bill to pay out the so-called **"14th pension"** in November and December 2021. The minister of labour Marlena Maląg said the amount to be paid will be equal to the minimum pension in 2021 (in 2020 it was PLN1200) and will cover pensioners with incomes of no more than PLN2900. We estimate the cost of the benefit at cPLN11bn in gross terms and PLN9bn in net terms (c0.35% GDP).

**According to the LFS data**, in 4Q19 the unemployment rate set a new all-time low at 2.9% versus 3.1% in 3Q19 and 3.8% in 4Q18. The annual decline in the unemployment rate (0.9pp) was even more pronounced than previously. The jobless count fell by 163k (this was the fastest decline since 2Q18), i.e. by 25.1%. Working-age population shrank by 0.5% y/y, while the number of the employed increased by 0.4% y/y, recording the first increase since 3Q18. The economic activity rate hit 56% in 4Q19, recording a fifth drop in a row in annual terms. On the other hand, employment rate climbed by 0.3pp y/y to 54.4% and is close to the highest levels of the century.

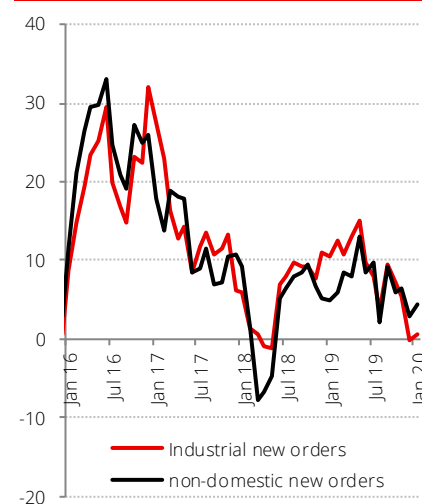
**EURUSD** climbed for the third time in a row despite high risk aversion and was close to 1.088 at the end of the day. The rate failed to break the support at 1.08 and no USD strengthening despite weak global moods suggests that we should be expecting further slow EURUSD rises above 1.09 in the upcoming time, in our view.

**EURPLN** has had a significant realized volatility on Tuesday. It opened the day relatively high at 4.306, soon after that – still in the morning hours – tested 4.29 (-0.35%) and subsequently rebounded higher to 4.30 (+0.30%). In the afternoon the currency pair tried to break the 4.29 for the second time also without success and today in the morning EURPLN trades again above 4.30. Market sentiment is poor, however EURUSD is not falling hence EURPLN might stabilize around 4.30 for a while. USDPLN closed at 3.965, CHFPLN at 4.06 while GBPPLN at 5.15.

**Other CEE currencies** strengthened yesterday in the first part of the day only to close the day almost unchanged. EURCZK moved lower by 0.2% to 25.2 (later rebounded to 24.24), while EURHUF fell 0.3% to 337.2 (and rebounded to 338.5). We think that among the CEE currencies it is the forint that, thanks to more hawkish central bank, has the highest likelihood of gaining were the global relief to come. USDRUB held stable at 65.24.

**On the Polish fixed income market** yields were falling for another day among an increased bond buying interest from foreign investors. During the day the bond curve moved lower by another 2bp. The swap curve declined even more and the 5Y swap rate closed down 5bp at 1.63%. The 10Y asset swap widened to 28bp, while the 10Y spread vs Bund remained unchanged at 245bp.

Value of new orders in industry, % y/y, 3M moving average



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.3048	CZKPLN	0.1704
USDPLN	3.9605	HUFPLN*	1.2713
EURUSD	1.0869	RUBPLN	0.0604
CHFPLN	4.0568	NOKPLN	0.4221
GBPPLN	5.1414	DKKPLN	0.5762
USDCNY	7.0240	SEKPLN	0.4069

\*for 100HUF

### Last session in the FX market 25/02/2020

	min	max	open	close	fixing
EURPLN	4.289	4.308	4.304	4.303	4.2996
USDPLN	3.949	3.974	3.959	3.954	3.9624
EURUSD	1.083	1.088	1.087	1.088	-

## Interest rate market 25/02/2020

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

Benchmark (term)	%	Change (bps)	Last auction	offer	Average yield
PS0422 (2L)	1.47	-2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.62	-6	21 mar 19	PS0424	2.209
DS1029 (10L)	1.89	-7	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	1.68	-2	1.39	-4	-0.39	-1
2L	1.66	-7	1.21	-4	-0.40	-1
3L	1.61	-9	1.15	-4	-0.40	-2
4L	1.60	-9	1.14	-4	-0.37	-1
5L	1.60	-9	1.14	-3	-0.35	-1
8L	1.61	-9	1.21	-2	-0.24	-1
10L	1.64	-9	1.26	-2	-0.15	-1

### WIBOR rates

Term	%	Change (bps)
O/N	1.52	2
T/N	1.52	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	1.69	-2
6x9	1.66	-3
9x12	1.64	0
3x9	1.78	-1
6x12	1.73	-4

### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.41	-6
France	15	0	0.27	0
Hungary			2.63	1
Spain	35	1	0.73	1
Italy	111	3	1.52	2
Portugal	32	1	0.75	1
Ireland	19	2	0.34	0
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

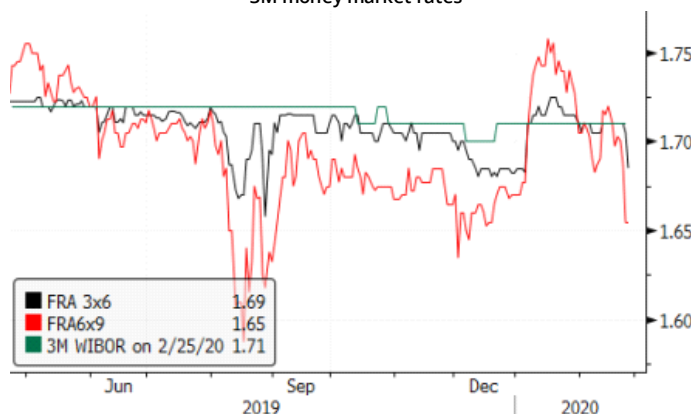
### Zloty exchange rate



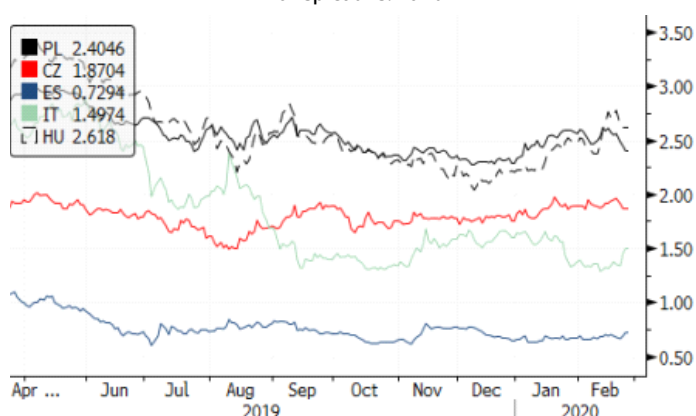
### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

TIME				FORECAST			ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		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	5.5	5.2
14:00	HU	Central Bank Rate Decision		%	0.90	-	0.9	0.90
16:00	US	Consumer Conference Board	Feb	pts	132.1	-	130.7	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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