

6 March 2019

# Eyeopener

## MPC meeting today

Data from Europe and USA surprise to the upside  
Zloty gained versus euro and lost to dollar  
Polish yields with no major changes  
Today MPC meeting and US data

Tuesday session was calm and saw no big changes on the markets. However, there were data releases in Europe and the USA which have offset the recent negative readings from China. February final PMIs for the services sector in Germany and the whole euro zone proved stronger than the preliminary estimates. In case of the German index it was the first positive surprise since October, for the euro zone it was the second positive surprise in a row. US ISM index for services also surprised positively, rebounding after two months of declines. US home sales also beat the market consensus.

The government showed yesterday **new information regarding PiS pre-election proposals**, naming several sources of their financing. Most of the sources are based on further closing of loopholes in the tax system (VAT and CIT are to give PLN4-6bn/year each), the pension system (PLN2-3bn/year from Social Security Fund) and the healthcare system (PLN1-2bn/year from National Health Fund). Important rise of revenues is also to come from lowering PIT and CIT (we understand that it is the effect of positive consumption response, which will be taxed, possibly also the effect of higher tax compliance when tax rates are lower). There was also reference to digitalization of public administration as a source of substantial savings (we need to assume this was calculated including the costs of the operation) as well as to the idea of taxing foreign companies which provide internet services (the idea may require EU-level action rather than a local bill). At the press conference, further details were given about the implementation schedule: 13th pension will be introduced in May, 500+ extension in July, lower PIT and zero PIT for the young with the start of October. Prime Minister Mateusz Morawiecki stressed that the extra spending will not push Polish general government deficit above the EU threshold of 3% of GDP. In his view it will rise to 1.5-2.0% or slightly higher.

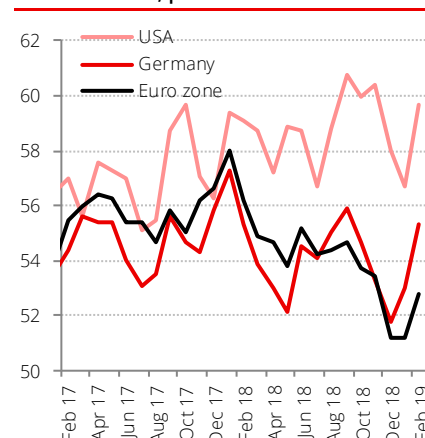
Today **the MPC will announce its decision** on the interest rates, we and the market does not expect any changes in the monetary policy parameters to be announced. Polish monetary policy has been dull for a long time already but there is a chance that today's MPC meeting will be way more interesting than usual. First of all, NBP projections will be refreshed, most likely with a much lower CPI path than in the previous edition (recall that in November the unrealistically strong energy price growth was assumed). Secondly, the Council will have the opportunity to comment on the recently announced set of pre-election promises from the ruling party and their impact on the economy. Thirdly, we have seen some hawkish signals since the last meeting, like a significant rebound of core inflation at the beginning of the year and strengthening of the wage pressure. Finally, just a few days before PiS announced its social package, governor Glapiński has become more open to further rates cuts in case of an economic slowdown. Overall, we assume the MPC bias will stay unchanged and the no need for a rate changes will be repeated. We do not expect governor Glapiński to withdraw his declaration of stable rates until 2020 like he did in mid-2018 and the overall tone of his comments will remain dovish.

On Tuesday **EURUSD** hovered around 1.1330 and fell to 1.1290 after the US macro data release. Today the labour market ADP data will be released. We believe that today the market will be less sensitive for the incoming data, prior to tomorrow's ECB decision.

At the beginning of Tuesday's session **EURPLN** jumped to 4.3050, but the depreciation of the zloty was only temporary. Later in the day EURPLN decreased below 4.30. USDPLN broke 3.80 thanks to drop of the EURUSD exchange rate.

**On the domestic debt market**, the long end yields remained near to the Monday close, while in the belly and in the front end yields decreased. On the core markets yields rose slightly, fuelled by strong US and Eurozone data, but the intra-day bonds losses were erased in the afternoon trading.

PMI in services, pts



Source: Markit, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: ekonomia@santander.pl  
website: skarb.santander.pl  
**Piotr Bielski** +48 22 534 18 87  
**Marcin Luziński** +48 22 534 18 85  
**Grzegorz Ogonek** +48 22 534 19 23  
**Konrad Soszyński** +48 22 534 18 86  
**Marcin Sulewski, CFA** +48 22 534 18 84

## FX market

### Today's opening

EURPLN	4.3006	CZKPLN	0.1678
USDPLN	3.8070	HUFPLN*	1.3630
EURUSD	1.1297	RUBPLN	0.0578
CHFPLN	3.7879	NOKPLN	0.4384
GBPPLN	4.9985	DKKPLN	0.5764
USDCNY	6.7163	SEKPLN	0.4083

\*for 100HUF

### Last session in the FX market 05/03/2019

	min	max	open	close	fixing
EURPLN	4.294	4.305	4.301	4.301	4.3018
USDPLN	3.790	3.810	3.796	3.807	3.7977
EURUSD	1.129	1.134	1.133	1.130	-

## Interest rate market 05/03/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.62	-1	7 lut 19	OK0521	1.493
PS0424 (5L)	2.28	-2	7 lut 19	PS0424	2.158
DS1029 (10L)	2.92	-1	7 lut 19	DS1029	2.820

### IRS on the interbank market\*\*

RIS on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	0	2.69	2	-0.21	0
2L	1.81	-1	2.66	3	-0.15	-1
3L	1.88	-1	2.61	3	-0.05	0
4L	1.98	-2	2.60	3	0.05	0
5L	2.09	-2	2.60	2	0.16	0
8L	2.32	-3	2.68	2	0.48	0
10L	2.45	-3	2.75	1	0.68	0

### WIBOR rates

Term	%	Change (bps)
O/N	1.56	1
T/N	1.56	1
SW	1.55	0
2W	1.58	1
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.82	0
1Y	1.87	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.72	0
3x6	1.72	0
6x9	1.73	0
9x12	1.74	0
3x9	1.79	0
6x12	1.80	0

### Measures of fiscal risk

Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.78	2
France	32	-1	0.39	0
Hungary			2.63	2
Spain	61	-1	1.00	2
Italy	206	-3	2.54	1
Portugal	72	-2	1.31	2
Ireland	38	-1	0.67	3
Germany	13	-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



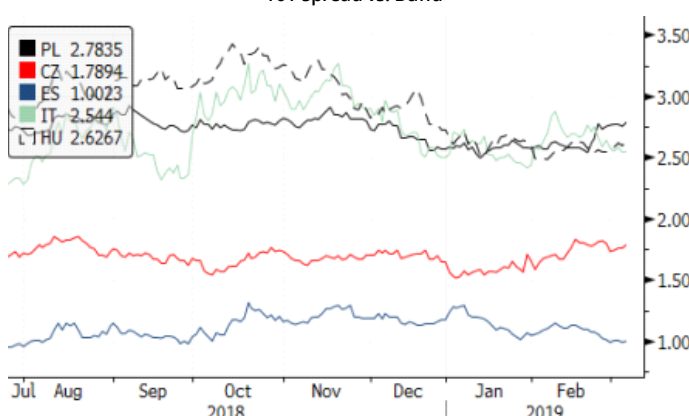
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME		COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
CET	MARKET				SANTANDER	VALUE	VALUE*	
FRIDAY (1 March)								
08:00	DE	Retail Sales	Jan	% m/m	1.9	-	3.3	-4.3
09:00	CZ	GDP SA	4Q	% y/y	2.9	-	2.8	2.9
09:00	PL	Poland Manufacturing PMI	Feb	pts	48.1	48.5	47.6	48.2
09:00	HU	GDP	4Q	% y/y	5.0	-	5.1	5.0
09:55	DE	Germany Manufacturing PMI	Feb	pts	47.6	-	47.6	47.6
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	49.2	-	49.3	49.2
11:00	EZ	Flash HICP	Feb	% y/y	1.5	-	1.5	1.4
11:00	EZ	Unemployment Rate	Jan	%	7.9	-	7.8	7.9
14:30	US	Personal Spending	Dec	% m/m	-0.3	-	-0.5	0.6
14:30	US	Personal Income	Jan	% m/m	0.3	-	-0.1	0.2
14:30	US	PCE Deflator SA	Dec	% m/m	0.0	-	0.1	0.1
16:00	US	Michigan index	Feb	pts	95.8	-	93.8	95.5
16:00	US	ISM manufacturing	Feb	pts	55.6	-	54.2	56.6
MONDAY (4 March)								
No important events								
TUESDAY (5 March)								
02:45	CN	Caixin China PMI Services	Feb	pts	54.0	-	51.1	53.6
09:55	DE	Markit Germany Services PMI	Feb	pts	-	-	55.3	55.1
10:00	EZ	Eurozone Services PMI	Feb	pts	-	-	52.8	52.3
11:00	EZ	Retail Sales	Jan	% m/m	-	-	1.3	-1.4
16:00	US	ISM services	Feb	pts	57.2	-	59.7	56.7
16:00	US	New Home Sales	Dec	% m/m	0.9	-	3.7	9.1
WEDNESDAY (6 March)								
	PL	MPC decision		%	1.50	1.50		1.50
14:15	US	ADP report	Feb	k	190	-		212
20:00	US	Fed Beige Book						
THURSDAY (7 March)								
09:00	HU	Industrial Production SA	Jan	% y/y	-	-		5.7
11:00	EZ	GDP SA	4Q	% y/y	-	-		1.2
13:45	EZ	ECB Main Refinancing Rate		%	-	-		0.0
14:30	US	Initial Jobless Claims	week	k	222	-		216
FRIDAY (8 March)								
08:00	DE	Factory Orders	Jan	% m/m	-	-		-1.6
09:00	HU	CPI	Feb	% y/y	-	-		2.7
14:30	US	Change in Nonfarm Payrolls	Feb	k	168	-		304
14:30	US	Unemployment Rate	Feb	%	3.8	-		4.0

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the 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>.