

28 February 2019

Eyeopener

Today Poland and US GDP data

Euro zone data slightly up
Zloty adds gains, EURUSD fairly stable
Polish bonds pressured by Treasuries sell-off
Today Poland and US 4Q GDP data

On Wednesday, the ESI indicators of business sentiment for euro zone proved slightly better than expected. In case of Poland, the data showed improved consumer optimism, but lack of rebound in industry. The data on new orders in the USA surprised negatively. Poor market mood was also supported by remarks from US administration officials about the US-China talks being far from completed and by the growing US-EU conflict about car tariffs. As a consequence, the dollar gained slightly and stock indexes fell. Despite this, US bond yields rose, pushing Polish yields up too. The zloty was gaining throughout the day on signals that the new social expenditures are not going to trigger a budget amendment and that the European Commission is currently not worried about the new government plans.

Yesterday we published [Economic Comment](#) with an analysis of the pre-election proposals announced on Saturday at the Law & Justice (PiS) party congress.

Today at 10:00CET the GUS releases Poland 4Q18 GDP growth breakdown. We could have figured out much based on data for the entire year – slowdown of investment and consumption – so only surprises in today's data would matter.

ESI business climate indicators for Poland for February showed a major improvement in consumer sentiment (new optimism record), but indices for manufacturing, services and retail trade remained at a low level for the second month in a row. Consumers were more optimistic about their financial standing and propensity to make major purchases (this indicator has just set a new record, posting one of the biggest monthly changes since 2001), as well as about general economic outlook. At the same time, consumers were less worried about losing job and less eager to save. Only the construction sector showed an improvement in current operations, while industry is the most pessimistic about current and future output for two years. Export orders indicator is at the lowest level in more than a year. Employment and inflation expectations indicators also went down in February. In general, the sectoral breakdown of ESI measures matches our expectations for this year: weakening outlook abroad amid still strong support of private consumption, which is likely to be additionally boosted by the PiS pre-election package.

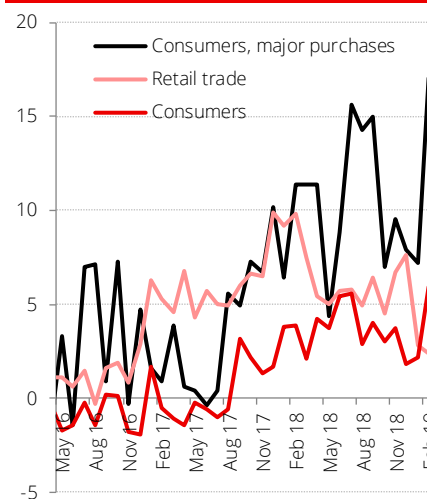
EURUSD partly corrected its Tuesday rise. The dollar was supported by cautious remarks of the US representatives on US-China trade talks and news about further tensions between the US and the EU. As a result, EURUSD slid to 1.136 from 1.140. Today the US GDP in 4Q18 data could be an important driver for the market.

EURPLN continued the downward momentum, fueled by sanguine market moods after comment of Jerome Powell that the Fed will be cautious about further rate hikes. Moreover, the zloty was supported by signals from the European Commission. As a result, EURPLN went down to 4.31 from 4.325 and USDPLN to 3.795 from 3.805. The zloty gained even though the global stock markets were in red. Today moods are moderately weak. We do not expect the Polish data to affect the zloty.

As regards the CEE region, EURHUF was hovering around 316.30 given lack of important information. EURCZK to 25.66 from 25.62 but they trimmed a half of this movement later on. Rises of oil prices did not affect the ruble with USDRUB rising to 66.0 and then returning to 65.80.

On the domestic interest rate market the day started with a tiny decline of yields, as a continuation of the Tuesday correction. In the afternoon, there was however a strong sell-off of US Treasuries, which made the Polish bonds more than give back the morning gains. As a result the domestic yield curve moved up by 2-4bp. Today we expect yields to decline, in line with the falling yields across the globe after the morning drop of equity prices.

ESI, selected sentiment indicators



Source: European Commission, Santander

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FX market

Today's opening

EURPLN	4.3176	CZKPLN	0.1684
USDPLN	3.7929	HUFPLN*	1.3643
EURUSD	1.1383	RUBPLN	0.0576
CHFPLN	3.8020	NOKPLN	0.4434
GBPPLN	5.0393	DKKPLN	0.5787
USDCNY	6.6857	SEKPLN	0.4093

*for 100HUF

Last session in the FX market 27/02/2019

	min	max	open	close	fixing
EURPLN	4.312	4.328	4.327	4.316	4.3173
USDPLN	3.785	3.805	3.803	3.796	3.7886
EURUSD	1.136	1.140	1.138	1.137	-

Interest rate market 27/02/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.61	2	7 lut 19	OK0521	1.493
PS0424 (5L)	2.27	3	7 lut 19	PS0424	2.158
DS1029 (10L)	2.89	4	7 lut 19	DS1029	2.820

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	0	2.66	1	-0.21	0
2L	1.80	0	2.58	1	-0.15	1
3L	1.86	1	2.53	2	-0.06	1
4L	1.94	-1	2.52	2	0.05	2
5L	2.06	1	2.53	3	0.15	3
8L	2.29	3	2.62	3	0.47	3
10L	2.42	3	2.68	4	0.68	3

WIBOR rates

Term	%	Change (bps)
O/N	1.53	26
T/N	1.54	3
SW	1.55	1
2W	1.57	0
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	1.72	1
9x12	1.72	0
3x9	1.79	0
6x12	1.78	0

Measures of fiscal risk

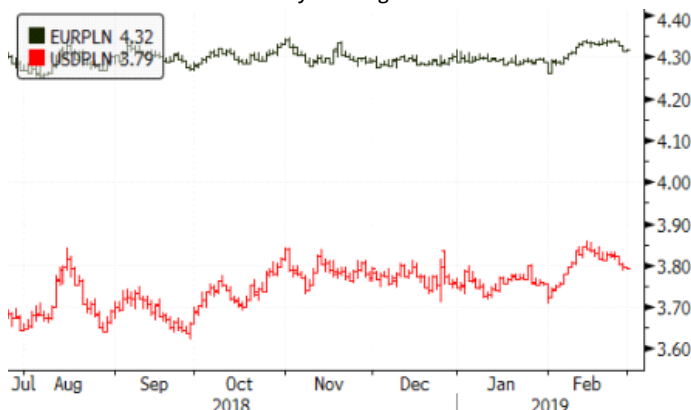
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.75 5
France	34 -1	0.40 0
Hungary		2.56 1
Spain	68 -1	1.01 0
Italy	214 -1	2.63 -1
Portugal	78 -3	1.30 0
Ireland	40 -2	0.66 0
Germany	13 0	- -

* 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



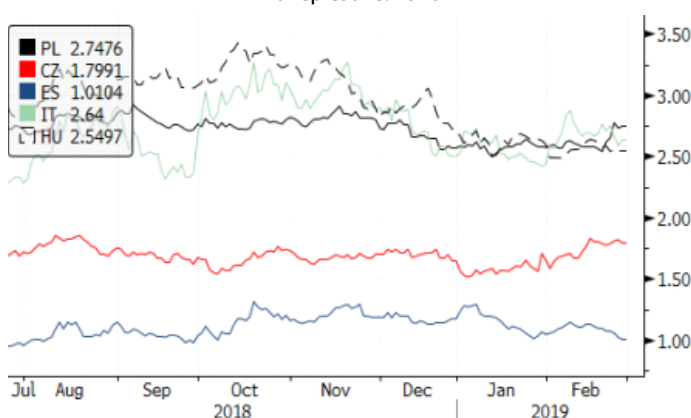
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (22 February)								
08:00	DE	GDP WDA	4Q	% y/y	0.6	-	0.6	0.6
10:00	DE	IFO Business Climate	Feb	pts	98.9	-	98.5	99.1
11:00	EZ	HICP	Jan	% y/y	1.4	-	1.4	1.4
14:00	PL	Money Supply M3	Jan	% y/y	9.4	9.4	8.8	9.2
MONDAY (25 February)								
10:00	PL	Unemployment Rate	Jan	%	6.1	6.1	6.1	5.8
TUESDAY (26 February)								
14:00	HU	Central Bank Rate Decision		%	0.9	-	0.9	0.9
14:30	US	Housing Starts	Dec	% m/m	-0.5	-	-11.2	3.2
16:00	US	Consumer Conference Board	Feb	pts	124.2	-	131.4	120.2
WEDNESDAY (27 February)								
11:00	EZ	ESI	Feb	pct.	106.0	-	106.1	106.2
14:30	US	Durable Goods Orders	Jan	% m/m	1.7	-	1.2	1.2
16:00	US	Factory Orders	Dec	% m/m	1.4	-	-0.4	-0.6
16:00	US	Pending Home Sales	Jan	% m/m	0.4	-	4.6	-2.2
THURSDAY (28 February)								
10:00	PL	GDP	4Q	% y/y	-	4.9		4.9
14:00	DE	HICP		% m/m	-1.0	-		-1.0
14:30	US	GDP Annualized	4Q	% Q/Q	2.5	-		3.4
14:30	US	Initial Jobless Claims		k	228.24	-		216.0
FRIDAY (1 March)								
09:00	CZ	GDP SA	4Q	% y/y	-	-		2.9
09:00	PL	Poland Manufacturing PMI	Feb	pts	-	48.2		48.2
09:00	HU	GDP	4Q	% y/y	0.0	-		5.0
09:30	DE	Germany Manufacturing PMI	Feb	pts	49.8	-		47.6
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	50.3	-		49.2
11:00	EZ	Flash HICP	Feb	% y/y	1.5	-		1.4
11:00	EZ	Unemployment Rate	Jan	%	7.9	-		7.9
14:30	US	Personal Spending	Dec	% m/m	0.3	-		0.4
14:30	US	Personal Income	Jan	% m/m	0.3	-		0.2
14:30	US	PCE Deflator SA	Dec	% m/m	0.0	-		0.1
16:00	US	Michigan index	Feb	pts	96.0	-		95.5
16:00	US	ISM manufacturing	Feb	pts	56.2	-		56.6

Source: Santander Bank Polska, Bloomberg, Parkiet
* in case of the revision the data is updated

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