

12 April 2019

Eyeopener

S&P's turn

Better-than-expected US weekly labour market data
Zloty and bonds under pressure of profit taking
Today, Poland C/A data and S&P rating review

On Thursday, the global markets suffered some correction after the Wednesday positive sentiment boosted by central banks. Yields increased a bit after strong US labour market data, but the rise was kept in check by another US inflation measure (PPI) showing only moderate upside pressure (the only surprises were seen in indexes that included energy and food). As a result, yield of 10Y Treasuries and Bunds rose by 1bp throughout the day. Domestic bonds moved in a similar way. In case of currencies, EURPLN rose slightly, recovering from Wednesday drop.

MPC's Eryk Łon said in an interview for the Polish Press Agency (PAP) that he saw risk for further economic slowdown in the euro zone, which could be negative for the GDP growth in Poland. According to Łon, under such circumstances the MPC has to be ready to mull rate cuts. The MPC member said that the new fiscal stimulus or inflation slightly above 3.5% are no hindrance for monetary easing. In our view, Eryk Łon's views remain isolated and should not affect the market.

Deputy finance minister Leszek Skiba said yesterday that the government's Standing Committee will approve the Convergence Programme Update next week. Publication will follow soon. According to Skiba, the fiscal path presented in the document will be "in line with the spending rule and recommendations of the European Commission".

EURUSD fell on Thursday, moving from 1.128 to 1.126 amid profit taking after Wednesday's rise. The support for the dollar came from the US labour market data (the lowest new jobless claims in 45 years). Meanwhile, Fed members' comments and PPI reading for March (which was higher than expected but mainly due to prices of energy and food) were not working in favour of the dollar. Today we expect to see further slight strengthening of the dollar in reaction to industrial production data from Europe (which should be quite weak) and data about US consumer confidence (where we expect to see improvement).

EURPLN rebounded after the Wednesday drop, moving from 4.278 to 4.283. The rise of EURPLN was caused by the decrease of EURUSD and positive surprises with the US labour market data. Declaration of the deputy finance minister Leszek Skiba, that all the fiscal measures presented recently are possible to be introduced without breaching the fiscal rule and MPC's Eryk Łon saying that he still sees the possibility of rate cuts, have not affected the zloty. Today we expect further weakening of the zloty in reaction to European and US data.

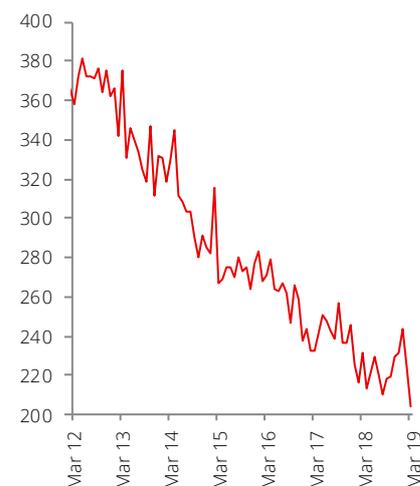
Among the CEE currencies, EURCZK rose to 25.62 from 25.59, following its CEE peers and as a reaction to the comments of one of the Czech central bankers who said that higher than expected March's inflation – released on Wednesday – "is not that alarming" for him. EURHUF rebounded to 322.1 from 321.5. USDRUB slid driven by the falling oil prices. The ruble weakened despite the strong trade balance data release.

On the domestic debt market yield curve ticked-up, following the core market, while the scale of move was less than 1bp. The policy makers comment were ignored by market participants. Today we expect the yields to increase.

Poland's balance of payments is due for release at 14:00CET. In our view, growth rates of both exports and imports were relatively low.

Today, probably after the Polish session close, the **S&P is likely to present its review of the Poland sovereign rating**. We think that S&P will take cue from the Fitch and leave both the rating and its outlook unchanged (A- with stable outlook). Moody's will comment on Polish rating in one week.

Initial jobless claims, USA (k)



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2834	CZKPLN	0.1672
USDPLN	3.7954	HUFPLN*	1.3292
EURUSD	1.1286	RUBPLN	0.0588
CHFPLN	3.7857	NOKPLN	0.4452
GBPPLN	4.9575	DKKPLN	0.5738
USDCNY	6.7169	SEKPLN	0.4090

*for 100HUF

Last session in the FX market 11/04/2019

	min	max	open	close	fixing
EURPLN	4.279	4.284	4.280	4.282	4.2821
USDPLN	3.791	3.805	3.796	3.804	3.7964
EURUSD	1.126	1.129	1.128	1.126	-

Interest rate market

11/04/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.64	0	21 mar 19	OK0521	1.633
PS0424 (5L)	2.22	1	21 mar 19	PS0424	2.209
DS1029 (10L)	2.90	1	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	0	2.58	2	-0.24	0
2L	1.81	1	2.44	3	-0.21	1
3L	1.86	1	2.36	3	-0.15	1
4L	1.94	0	2.34	3	-0.07	1
5L	2.02	0	2.34	3	0.02	2
8L	2.23	0	2.42	3	0.31	2
10L	2.36	0	2.49	3	0.50	2

WIBOR rates

Term	%	Change (bps)
O/N	1.54	0
T/N	1.54	0
SW	1.55	0
2W	1.58	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	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	0
9x12	1.72	0
3x9	1.79	0
6x12	1.79	0

Measures of fiscal risk

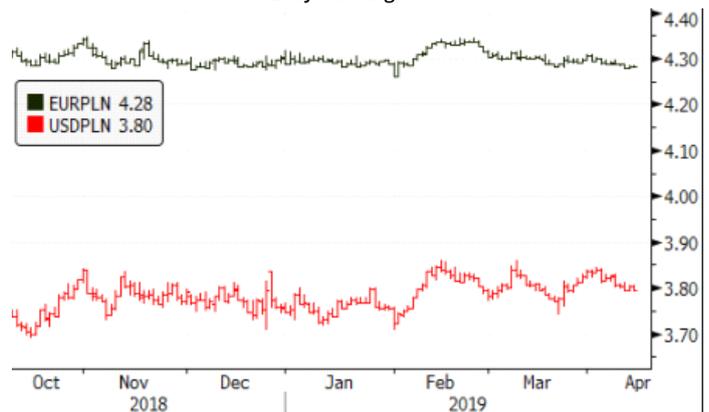
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.91	1
France	28	1	0.34	0
Hungary			3.14	0
Spain	61	-1	1.02	0
Italy	195	-1	2.53	16
Portugal	69	-1	1.14	0
Ireland	36	-1	0.55	0
Germany	12	1	-	-

* 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



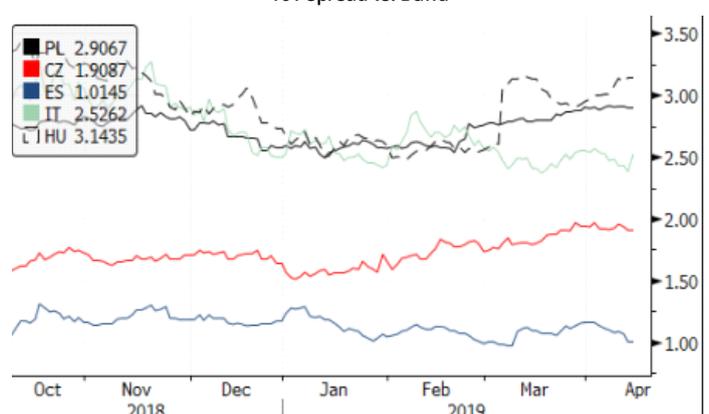
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (5 April)								
08:00	DE	Industrial Production SA	Feb	% m/m	0.5	-	0.7	-0.8
09:00	HU	Industrial Production SA	Feb	% y/y	5.1	-	5.9	5.0
14:30	US	Change in Nonfarm Payrolls	Mar	k	177.0	-	196.0	20.0
14:30	US	Unemployment Rate	Mar	%	3.8	-	3.8	3.8
MONDAY (8 April)								
08:00	DE	Exports SA	Feb	% m/m	-0.05	-	-1,3	0.1
09:00	CZ	Industrial Production	Feb	% y/y	1.5	-	1,5	-1.1
16:00	US	Durable Goods Orders	Feb	% m/m	-1.8	-	-1.6	-1.6
16:00	US	Factory Orders	Feb	% m/m	-0.5	-	-0.5	0.1
TUESDAY (9 April)								
09:00	HU	CPI	Mar	% y/y	3.5	-	3.7	3.1
WEDNESDAY (10 April)								
09:00	CZ	CPI	Mar	% y/y	2.9	-	3.0	2.7
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0	0.0
14:30	US	CPI	Mar	% m/m	0.4	-	0.4	0.2
20:00	US	FOMC Meeting Minutes						
THURSDAY (11 April)								
08:00	DE	HICP	Mar	% m/m	0.5	-	0.5	0.5
14:30	US	Initial Jobless Claims	week	k	215	-	196	202
FRIDAY (12 April)								
11:00	EZ	Industrial Production SA	Feb	% m/m	-0.5			1.4
14:00	PL	Current Account Balance	Feb	€mn	-256	-597		2 316
14:00	PL	Trade Balance	Feb	€mn	-176	-506		279
14:00	PL	Exports	Feb	€mn	18 068	-		18 493
14:00	PL	Imports	Feb	€mn	18 248	-		18 214
16:00	US	Michigan index	Apr	pts	98.0	-		98.4

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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