

4 February 2019

Eyeopener

EURPLN back at 4.29

Strong US numbers at the end of the week
Zloty trimmed its gains, EURUSD with no major changes
Bond yields up in Poland and abroad
Today new US data

The FX market has stabilised on Friday awaiting the monthly US job report. January rise of the nonfarm payrolls surprised well to the upside reaching its highest since February 2018 and the labour force participation rate was the highest since September 2013. On the other hand, the unemployment rate inched up and the December payrolls rise was revised well to the downside. The release of these numbers coincided with the comment of Fed's Saint Louis James Bullard, who confirmed the recent softening of the FOMC rhetoric saying that he is satisfied with the current level of the interest rates. In the afternoon, next US data was released – January manufacturing ISM and Michigan consumer confidence index. Overall, the Friday's US data generated an upside pressure on yields and supported the dollar which in turn weighed somewhat on the CEE currencies. The greenback gained also thanks to Donald Trump saying that trade negotiations with China are "doing very well".

EURUSD rose slightly at the beginning of the session and returned to the opening level after the US data. Overall, the trading range was smaller than in the previous days and the exchange rate held between the Thursday's high and low. Today in the morning EURUSD is slightly below 1.145.

EURPLN rebounded to c4.28 from its multi-month low amid profit taking from drop recorded after the FOMC changed its rhetoric. Today in the morning, the exchange rate is already above 4.29, close to its average from November-December period.

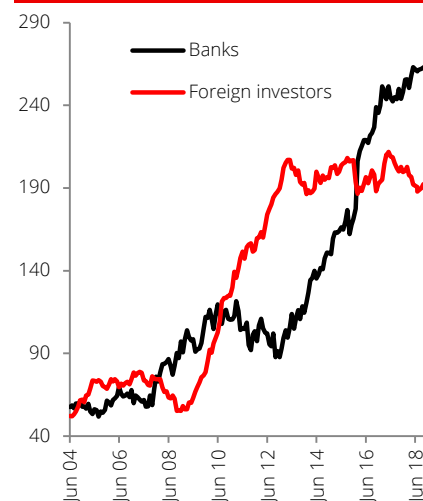
In case of the **other CEE currencies**, some more noticeable changes were recorded on the Hungarian and Czech market. EURHUF jumped to 318 from 316 on profit-taking from the previous drop while EURCZK eased to 25.65 from 25.75 catching up the lack of initial response to the dovish FOMC rhetoric.

On the **domestic interest rate market**, Friday saw yields rise by 2-3bp amid weakening on the core markets triggered by the decent US data.

According to the Ministry of Finance **data on bond holders**, in December 2018 foreign investors sold PLN denominated T-bonds worth PLN737mn, domestic insurance companies bought PLN2bn, banks PLN499mn, while investment funds sold PLN3.8bn. Among non-residents, the biggest monthly changes were registered in investment funds (+PLN1.3bn), banks (-PLN1.8bn) and insurance companies (+PLN908mn). In geographical breakdown, euro area investors sold PLN1.3bn. In annual terms, T-bonds held by Polish banks rose by PLN20bn, held by insurance companies by PLN5.3bn and held by individuals by PLN4bn. Non-residents' portfolio shrank by PLN11bn (the most since 2016, when they sold PLN14bn). Investment funds were the most active sellers. Geography-wise, euro area investors were the biggest seller (-PLN6.5bn) followed by North America investors (-PLN6.3bn), while the largest buyer was Asia (almost +PLN7bn, of which almost PLN3bn was bought by the central banks). Since December 2017, Polish T-bond debt denominated in PLN increased by PLN37bn.

The data releases **calendar for the coming week** is not particularly rich. Several activity indicators from Germany (factory orders, production, export) are likely to follow the recent negative trends. On Wednesday the MPC decision and press conference are planned. No surprises from this side expected. It could be a relatively boring week for the financial market. As a result, both bond yields and exchange rates should stabilise near current levels, waiting for new impulses. The latter may come in the following week, when new inflation data in Poland and USA will be released.

Holders of Polish bonds (PLNbn)



Source: Ministry of Finance, Santander

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FX market

Today's opening

EURPLN	4.2915	CZKPLN	0.1670
USDPLN	3.7508	HUFPLN*	1.3512
EURUSD	1.1442	RUBPLN	0.0572
CHFPLN	3.7620	NOKPLN	0.4439
GBPPLN	4.9045	DKKPLN	0.5748
USDCNY	6.7422	SEKPLN	0.4137

*for 100HUF

Last session in the FX market 01/02/2019

	min	max	open	close	fixing
EURPLN	4.259	4.295	4.262	4.290	4.2706
USDPLN	3.720	3.746	3.722	3.744	3.7243
EURUSD	1.144	1.149	1.145	1.146	-

Interest rate market 01/02/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.49	1	25 sty 19	OK0521	1.479
PS0424 (5L)	2.16	3	25 sty 19	PS0424	2.160
WS0428 (10L)	2.74	2	25 sty 19	WS0428	2.783

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.71	2	-0.22	0
2L	1.77	2	2.65	4	-0.16	1
3L	1.84	2	2.60	5	-0.07	2
4L	1.93	3	2.58	6	0.04	2
5L	2.04	4	2.59	6	0.15	3
8L	2.24	3	2.66	5	0.49	3
10L	2.38	4	2.71	5	0.70	4

WIBOR rates

Term	%	Change (bps)
O/N	1.53	7
T/N	1.53	1
SW	1.53	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	1.71	0
3x6	1.72	0
6x9	1.71	0
9x12	1.70	0
3x9	1.77	0
6x12	1.75	0

Measures of fiscal risk

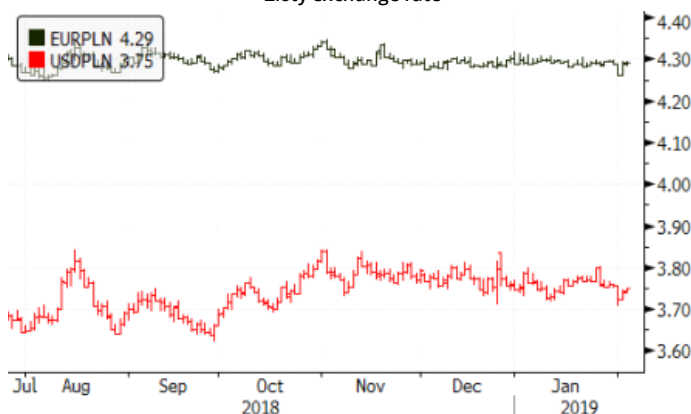
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.58 3
France	37 1	0.41 0
Hungary		2.50 0
Spain	75 2	1.06 1
Italy	203 12	2.60 2
Portugal	87 1	1.48 1
Ireland	41 0	0.72 0
Germany	13 -1	- -

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

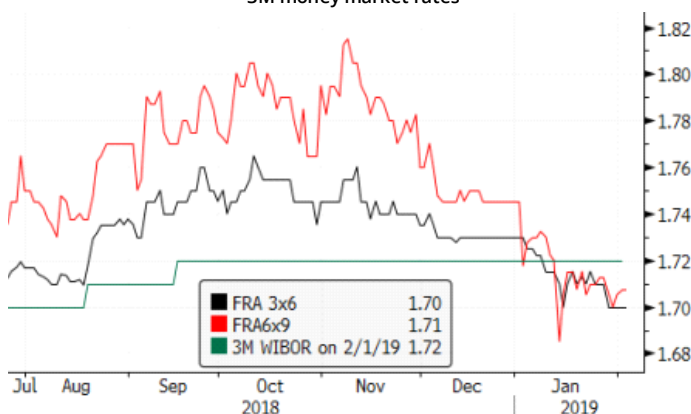
Zloty exchange rate



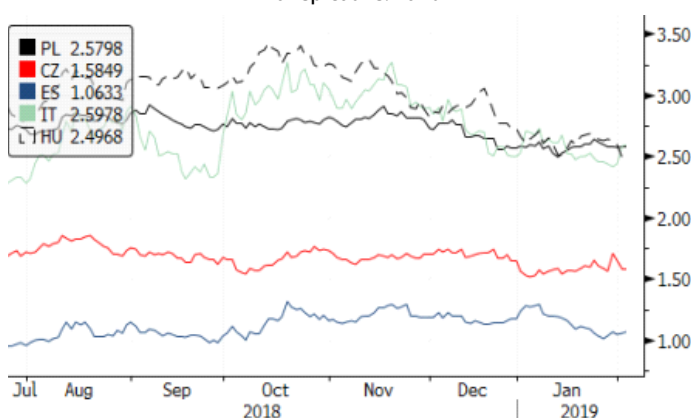
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (1 February)								
09:00	PL	Poland Manufacturing PMI	Jan	pts	48.0	49.5	48.2	47.6
09:55	DE	Germany Manufacturing PMI	Jan	pts	49.9	-	49.7	51.5
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	50.5	-	50.5	51.4
11:00	EZ	Flash HICP	Jan	% y/y	1.4	-	1,4	1.6
14:30	US	Change in Nonfarm Payrolls	Jan	k	165	-	304	222
14:30	US	Unemployment Rate	Jan	%	3.9	-	4.0	3.9
16:00	US	Michigan index	Jan	pts	90.7	-	91,2	90.7
16:00	US	ISM manufacturing	Jan	pts	54.0	-	56,6	54.3
MONDAY (4 February)								
	US	GDP Annualized	4Q	% Q/Q	2.6	-		3.4
	US	Personal Spending	Dec	% m/m	0.3	-		0.4
	US	Personal Income	Dec	% m/m	0.5	-		0.2
	US	PCE Deflator SA	Dec	% m/m	0.0	-		0.1
16:00	US	Durable Goods Orders	Nov	% m/m	1.7	-		0.8
16:00	US	Factory Orders	Nov	% m/m	0.3	-		-2.1
TUESDAY (5 February)								
	US	Housing Starts	Dec	% m/m	-0.48	-		3.2
	US	New Home Sales	Dec	% m/m	4.78	-		16.9
	US	Retail Sales Advance	Dec	% m/m	0.1	-		0.2
09:55	DE	Markit Germany Services PMI	Jan	pts	53.1	-		53.1
10:00	EZ	Eurozone Services PMI	Jan	pts	50.8	-		50.8
11:00	EZ	Retail Sales	Dec	% m/m	-1.05	-		0.6
16:00	US	ISM services	Jan	pts	57.3	-		58.0
WEDNESDAY (6 February)								
	PL	MPC decision		%	1.50	1.50		1.50
08:00	DE	Factory Orders	Dec	% m/m	0.3	-		-1.0
09:00	CZ	Industrial Production	Dec	% y/y	0.55	-		4.8
THURSDAY (7 February)								
08:00	DE	Industrial Production SA	Dec	% m/m	0.85	-		-1.9
09:00	HU	Industrial Production SA	Dec	% y/y	0.0	-		3.5
13:00	CZ	Central Bank Rate Decision		%	1.75	-		1.75
14:30	US	Initial Jobless Claims	week	k	215.0	-		253.0
08:00	DE	Exports SA	Dec	% m/m	0.35	-		-0.3
FRIDAY (8 February)								
08:00	DE	Exports SA	Dec	% m/m	0.35	-		-0.3

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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