

6 February 2019

Eyeopener

Today MPC meeting

Stock markets rebound, FX stable
 New weak data from Germany
 Polish debt trimmed losses despite pressure from peripheries
 Today MPC decision

Yesterday the biggest changes were recorded on the equity market where stock prices rebounded sharply after the Monday's drop and in case of the pound that lost vs the euro and dollar. Bond yields were hovering near the levels seen at the beginning of the week. European data showed that the January final German services PMI was revised slightly down vs the flash estimate but the index for the whole euro zone appeared to be higher than initially reported. US ISM services fell more than expected and reached its lowest since July after the second month of a decline in a row. In the evening, the US president Donald Trump gave the "State of the Union" speech but this did not contain any market-sensitive issues. German factory orders fell 1.6% m/m mainly due to weaker orders from outside the euro zone (-5.5% m/m) accompanied by slightly lower domestic orders and higher from the euro zone.

EURUSD was hovering slightly above 1.14 during the yesterday's session holding just below the Monday's closing level. Yesterday's European and US data did not have much impact on the exchange rate. Today at the opening, however, EURUSD is already below 1.14 due to the morning poor German data.

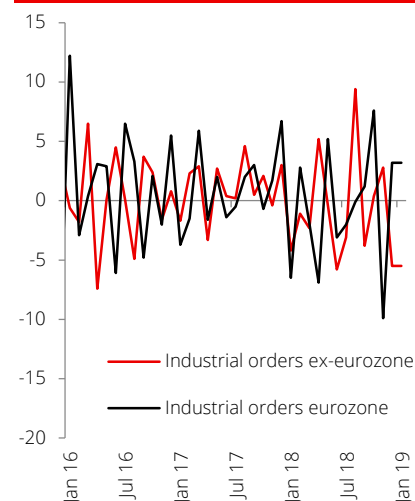
EURPLN remained stable slightly below 4.29 while USDPLN held below 3.76. In case of the other CEE currencies, they traded within Monday's ranges. We do not expect the outcome of the February MPC meeting to have an impact on the zloty.

On the **domestic interest rate market**, 5Y and 10Y bonds recovered nearly half of the Monday's losses. The Bund was stable, the Treasuries gained (at a similar scale to its Polish peer), while the euro zone peripheral debt was under pressure. No important data are on the agenda today and we do not expect the outcome of the Polish MPC meeting to surprise. Thus, yields should not move much.

Today the **MPC will announce a decision on interest rates** and at 16:00CET the press conference will start. We do not expect any surprises on this front. The last President Głapiński's declaration about possible interest rates stabilisation until 2022 was probably a bit of overstatement (not the first time, to be honest), and his view is not shared unanimously in the Council. MPC's Gątnar and Osiatyński said recently that interest rate hike in 2019 cannot be ruled out completely. However, stable majority of Council members believes that current level of interest rates is good for the economy and given the recent information (slowing growth, low inflation) this consensus is unlikely to change anytime soon. It is quite possible that there will be more questions about salaries at the central bank than about the monetary policy outlook at the MPC press conference.

Tomorrow, **the Ministry of Finance (MoF) is to sell bonds** worth PLN3-5bn at a regular auction. Offer will include series: OK0521, PS0424, WZ0524, WZ0528 and DS1029 (new 10Y benchmark). According to the MoF, Polish banks were the biggest holder of these securities: PLN0.47bn in OK0721, PLN5.5bn in PS0424, PLN13.7bn in WZ0524 and PLN11.8bn in WZ0528. In January-February 2018 MoF sold PLN14.2bn bonds net, compared to PLN13.7bn expected this year. The switching tender is planned for 21 February.

Industrial orders in Germany, % m/m



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2897	CZKPLN	0.1668
USDPLN	3.7672	HUFPLN*	1.3494
EURUSD	1.1387	RUBPLN	0.0574
CHFPLN	3.7641	NOKPLN	0.4434
GBPPLN	4.8721	DKKPLN	0.5746
USDCNY	6.7422	SEKPLN	0.4123

*for 100HUF

Last session in the FX market 05/02/2019

	min	max	open	close	fixing
EURPLN	4.284	4.291	4.287	4.286	4.2869
USDPLN	3.746	3.761	3.750	3.757	3.7542
EURUSD	1.140	1.144	1.143	1.141	-

Interest rate market 05/02/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.51	-1	25 sty 19	OK0521	1.479
PS0424 (5L)	2.17	-3	25 sty 19	PS0424	2.160
WS0428 (10L)	2.74	-3	25 sty 19	WS0428	2.783

IRS on the interbank market**

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.73	0	-0.22	0
2L	1.77	-1	2.67	-1	-0.15	0
3L	1.83	-2	2.62	-1	-0.06	0
4L	1.93	-3	2.60	-1	0.04	0
5L	2.04	-3	2.60	-2	0.15	0
8L	2.25	-3	2.67	-2	0.49	-1
10L	2.37	-4	2.73	-2	0.70	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.55	1
T/N	1.55	1
SW	1.54	0
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	1.76	0

Measures of fiscal risk

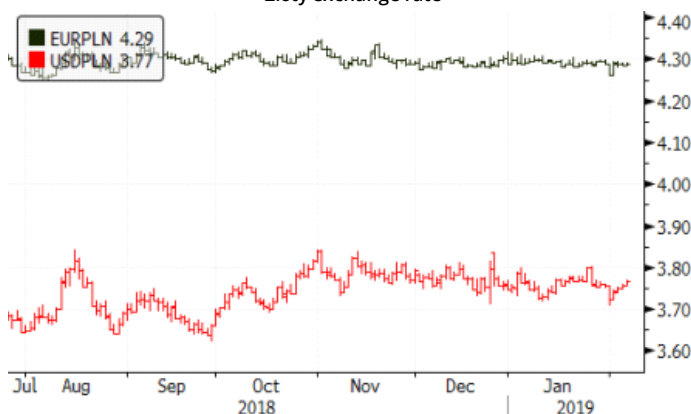
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.58 -2
France	38 -1	0.41 0
Hungary		2.50 0
Spain	76 -1	1.09 1
Italy	217 2	2.65 3
Portugal	88 0	1.50 1
Ireland	41 -1	0.73 0
Germany	13 0	- -

* 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



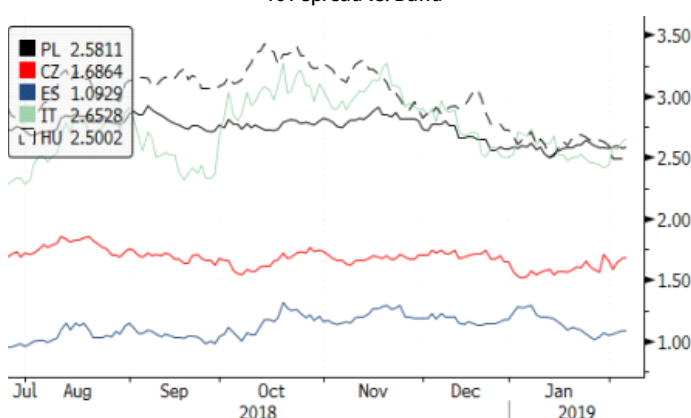
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					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)								
16:00	US	Durable Goods Orders	Nov	% m/m	1.7	-	0.7	0.8
16:00	US	Factory Orders	Nov	% m/m	0.3	-	-0.6	-2.1
TUESDAY (5 February)								
09:55	DE	Markit Germany Services PMI	Jan	pts	53.1	-	53.0	53.1
10:00	EZ	Eurozone Services PMI	Jan	pts	50.8	-	51.2	50.8
11:00	EZ	Retail Sales	Dec	% m/m	-1.05	-	-1.6	0.8
16:00	US	ISM services	Jan	pts	57.3	-	56.7	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	0.0	-		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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