

5 March 2019

# Eyeopener

## Weaker information from China

Investors remained quite positive after the weekend

Weaker data from China

Zloty slightly stronger thanks to rising stock markets and despite stronger dollar

Polish bonds benefited from falling core yields

Today activity indices in services

At the start of the week positive sentiment prevailed on the markets, thanks to news about the possible trade deal between the USA and China. As a result the European stock indices and oil prices rose, which had a slightly positive impact on CEE currencies. Yesterday we did not receive any important data from the main global economies and, in general, market volatility was low. At night the sentiment worsened after Chinese government showed lower growth expectations than in the previous years. (6.0-6.5% for this year vs c6.5% in the past). What is more, PMI for the Chinese services sector was weaker than expected and declined due to lower domestic and foreign orders. Today we will get to see a release of February sentiment indices for the services sector, which in case of European PMIs should not deviate much from the flash estimates. What can be a large surprise is the US ISM index for services.

**Fitch Ratings** responded to PiS pre-election proposals. The agency stressed that in its October assessment of Poland (A-/stable) it already included some fiscal policy easing due to elections. It now added that the proposed expenditures can have a more long-term effect than originally assumed, albeit in 2019 alone it will be limited. Fitch sees a risk that general government deficit will approach 3% of GDP in 2020. But only signs that the relevance of the EU threshold as a fiscal anchor diminished could make the agency consider a downgrade of Poland's creditworthiness score. Full country report is to be released by Fitch on 29 March.

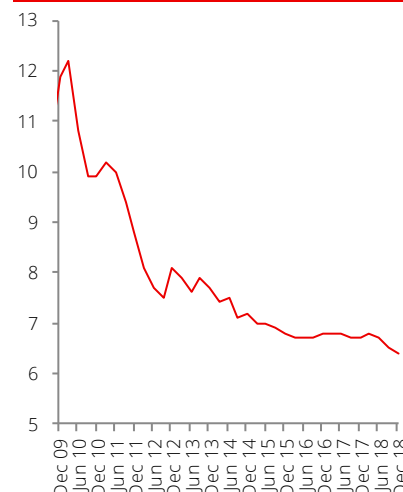
PM Mateusz Morawiecki said today in the Polish Radio that the government intends to introduce **zero PIT rate for young** in summer this year. Earlier, the information from the government suggested that they would like to make it effective this year but this was not certain.

**EURUSD** fell yesterday to 1.131 from 1.136 after the biggest one-day-drop since mid-February. Unlike yesterday, today we will see some data but we do not expect services activity indexes to have a persistent impact on the market just two days before the ECB meeting. Taken a broader look, EURUSD is holding in a horizontal trend since November.

Yesterday **EURPLN** slid below 4.30, while USDPLN climbed to 3.80 from 3.788. The zloty benefited from rising risk appetite, but the room for appreciation was limited by falling EURUSD. Last week the zloty recorded the largest one-week appreciation against EUR since July and now the pace of appreciation may slow down ahead of the ECB decision.

**On the domestic debt market** the IRS and bonds yield curves were flattening. The long end yields decreased by 2-3bp, as domestic bonds benefited from strengthening on the core markets.

GDP growth in China, % y/y



Source: Bloomberg, Santander

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## FX market

### Today's opening

EURPLN	4.3046	CZKPLN	0.1680
USDPLN	3.8018	HUFPLN*	1.3624
EURUSD	1.1322	RUBPLN	0.0577
CHFPLN	3.8011	NOKPLN	0.4383
GBPPLN	5.0037	DKKPLN	0.5769
USDCNY	6.7028	SEKPLN	0.4064

\*for 100HUF

### Last session in the FX market 04/03/2019

	min	max	open	close	fixing
EURPLN	4.297	4.314	4.310	4.301	4.2984
USDPLN	3.777	3.803	3.788	3.796	3.7893
EURUSD	1.131	1.140	1.138	1.133	-

## Interest rate market 04/03/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.63	0	7 lut 19	OK0521	1.493
PS0424 (5L)	2.30	-1	7 lut 19	PS0424	2.158
DS1029 (10L)	2.93	-3	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	1.74	0	2.68	0	-0.21	0
2L	1.82	-1	2.63	-1	-0.14	0
3L	1.88	-2	2.59	-2	-0.05	-1
4L	2.00	-2	2.57	-2	0.06	-1
5L	2.11	-2	2.58	-3	0.16	-1
8L	2.35	-3	2.67	-3	0.49	-2
10L	2.48	-4	2.73	-3	0.69	-2

### WIBOR rates

Term	%	Change (bps)
O/N	1.55	0
T/N	1.55	0
SW	1.55	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	1.72	0
3x6	1.72	0
6x9	1.73	0
9x12	1.74	1
3x9	1.79	0
6x12	1.80	0

### Measures of fiscal risk

Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.77 -4
France	32 0	0.40 0
Hungary		2.61 0
Spain	62 -1	1.01 0
Italy	205 2	2.58 0
Portugal	72 0	1.31 0
Ireland	39 -1	0.64 -1
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



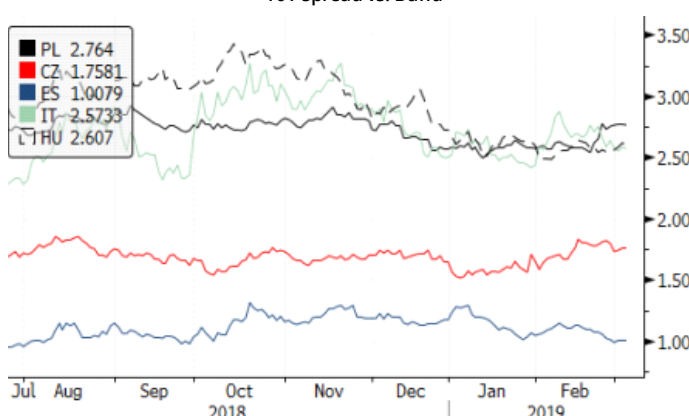
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER		
CET						VALUE	VALUE*
<b>FRIDAY (1 March)</b>							
08:00	DE	Retail Sales	Jan	% m/m	1.9	-	-4.3
09:00	CZ	GDP SA	4Q	% y/y	2.9	-	2.9
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Feb</b>	<b>pts</b>	<b>48.1</b>	<b>48.5</b>	<b>47.6</b>
09:00	HU	GDP	4Q	% y/y	5.0	-	5.0
09:55	DE	Germany Manufacturing PMI	Feb	pts	47.6	-	47.6
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	49.2	-	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	-	0.6
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	95.8	-	95.5
16:00	US	ISM manufacturing	Feb	pts	55.6	-	54.2
<b>MONDAY (4 March)</b>							
No important events							
<b>TUESDAY (5 March)</b>							
02:45	CN	Caixin China PMI Services	Feb	pts	54.0	-	53.6
09:55	DE	Markit Germany Services PMI	Feb	pts	-	-	55.1
10:00	EZ	Eurozone Services PMI	Feb	pts	-	-	52.3
11:00	EZ	Retail Sales	Jan	% m/m	-	-	-1.6
16:00	US	ISM services	Feb	pts	57.2	-	56.7
16:00	US	New Home Sales	Dec	% m/m	0.9	-	16.9
<b>WEDNESDAY (6 March)</b>							
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>
14:15	US	ADP report	Feb	k	182	-	212
16:00	US	Durable Goods Orders	Feb	% m/m	-	-	1.2
16:00	US	Factory Orders	Feb	% m/m	0.6	-	-0.6
<b>THURSDAY (7 March)</b>							
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
<b>FRIDAY (8 March)</b>							
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

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