

8 March 2019

# Eyeopener

## ECB surprises with policy easing

ECB strongly eases its stance given weaker growth outlook  
 EURUSD strongly down, zloty and CEE currencies under pressure  
 Bonds in Poland and abroad benefit from change in ECB rhetoric  
 Today non-farm payrolls in USA

The Thursday session was mostly affected by the ECB meeting. In line with expectations, euro zone interest rates remained unchanged, but the market was taken by surprise by the scale of easing in rhetoric and introduction of the third round of TLTRO. There was also a major shift in the forward guidance, as wording no hikes "through summer" was changed into "through end of 2019". Additionally, ECB's NBP and CPI forecasts were revised markedly down (see table beside). As a consequence, the euro lost to dollar and bond yields fell significantly. Today in the morning we got to see data on weak Germany factory orders and on Chinese exports, fitting into the recent series of negative forecast revisions for the global economy.

The government presented a draft of the bill introducing **additional pension payment** of PLN1100. The draft assumes it is a one-off payout, and will not be automatically repeated next year. The estimated cost is PLN10.7bn in gross terms and PLN8.7bn in net terms.

Yesterday **EURUSD** fell for the fourth time in a row, and currently is at 1.12, the lowest since 2017. Impulse for this development was delivered by the major shift in ECB rhetoric. The exchange rate is testing 1.12 and a break is possible if US data surprise to the upside.

**EURPLN** fell to 4.295 thanks to some rises in EURUSD, but then jumped to 4.31 in reaction to the dollar strengthening. USDPLN jumped to 3.84 from 3.80. Reaction of the zloty to moves in EURUSD was a bit delayed. Today the high volatility in EURUSD may hold, given non-farm payrolls release, and this is likely to affect the zloty.

In case of **other CEE currencies**, the forint and the ruble changed the most. The former strengthened quickly in the morning. EURHUF fell to 314.6 from 315.6 in reaction to surprisingly strong data about Hungarian industrial output, but eventually ended the day above the opening level due to strengthening of the US dollar. The ruble lost due to quick dollar appreciation in reaction to signals from the ECB. Czech koruna weakened only slightly against euro, but less than others in the region – EURCZK remained below the Wednesday's high.

On the **domestic debt market** yields decreased by 2-5bp, following the strengthening of core debt in a reaction to the dovish ECB rhetoric. Polish bonds behaviour was similar to the UST and German peers. After the yesterday session 5Y bonds trimmed about half of the weakening observed after the presentation of new social spending in Poland (new election proposal prepared by governing party PiS). Today the market focus will be shifted to US market, where the February's NFP data will be released. The market expects that the NFP will come out weaker after the strong January. Yesterday the yields of German 10Y bond touched the lowest level this year, last seen in October 2016. Breaking the support at 0.077% may have a short-term positive influence on the German debt, which should positively affect the Polish bonds.

At today's **auction the Ministry of Finance** will offer bonds OK0521, PS0424, WZ0524, WZ0528 and DS1029 (worth PKN3-5bn in total). The high coverage of budget borrowing needs should support favourable results of the auction.

### March ECB forecasts (December forecasts in brackets)

	2019	2020	2021
CPI	1.2 (1.6)	1.5 (1.7)	1.6 (1.8)
GDP	1.1 (1.7)	1.6 (1.7)	1.5 (1.5)

Source: ECB, Santander

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## FX market

### Today's opening

EURPLN	4.3145	CZKPLN	0.1683
USDPLN	3.8505	HUFPLN*	1.3636
EURUSD	1.1205	RUBPLN	0.0580
CHFPLN	3.8140	NOKPLN	0.4373
GBPPLN	5.0390	DKKPLN	0.5784
USDCNY	6.7238	SEKPLN	0.4063

\*for 100HUF

### Last session in the FX market 07/03/2019

	min	max	open	close	fixing
EURPLN	4.296	4.314	4.299	4.312	4.3019
USDPLN	3.798	3.848	3.802	3.841	3.8038
EURUSD	1.121	1.132	1.131	1.123	-

## Interest rate market 07/03/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.58	-2	7 lut 19	OK0521	1.493
PS0424 (5L)	2.21	-4	7 lut 19	PS0424	2.158
DS1029 (10L)	2.85	-4	7 lut 19	DS1029	2.820

### IRS on the interbank market\*\*

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	0	2.67	-1	-0.23	-1
2L	1.78	-2	2.60	-2	-0.18	-2
3L	1.83	-2	2.54	-3	-0.11	-4
4L	1.91	-3	2.52	-3	-0.02	-4
5L	2.01	-5	2.52	-3	0.08	-5
8L	2.23	-6	2.60	-3	0.38	-6
10L	2.35	-6	2.67	-3	0.58	-6

### WIBOR rates

Term	%	Change (bps)
O/N	1.58	0
T/N	1.58	1
SW	1.56	0
2W	1.58	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	1.71	0
9x12	1.71	0
3x9	1.79	0
6x12	1.78	0

### Measures of fiscal risk

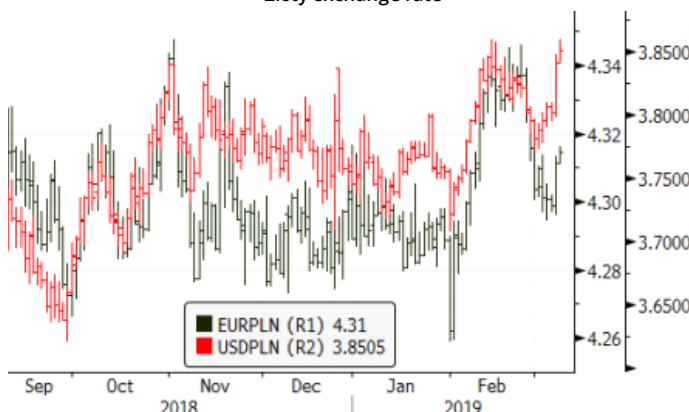
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.80 -3
France	30	0.35 0
Hungary		3.11 -3
Spain	60	0.99 2
Italy	201	2.45 4
Portugal	71	1.28 1
Ireland	37	0.61 0
Germany	12	- -

\* 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



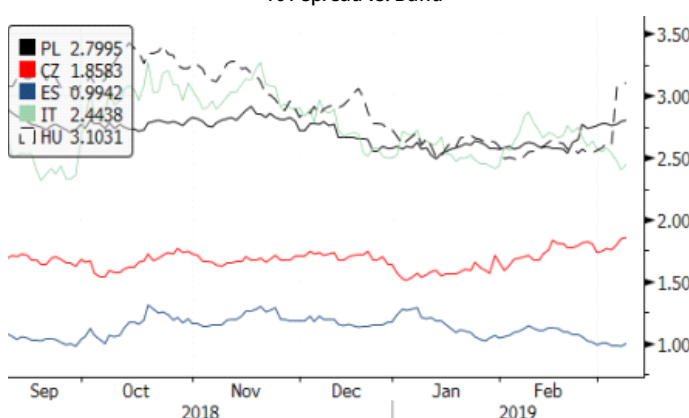
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Economic Calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
FRIDAY (1 March)								
08:00	DE	Retail Sales	Jan	% m/m	1.9	-	3.3	-4.3
09:00	CZ	GDP SA	4Q	% y/y	2.9	-	2.8	2.9
09:00	PL	Poland Manufacturing PMI	Feb	pts	48.1	48.5	47.6	48.2
09:00	HU	GDP	4Q	% y/y	5.0	-	5.1	5.0
09:55	DE	Germany Manufacturing PMI	Feb	pts	47.6	-	47.6	47.6
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	49.2	-	49.3	49.2
11:00	EZ	Flash HICP	Feb	% y/y	1.5	-	1.5	1.4
11:00	EZ	Unemployment Rate	Jan	%	7.9	-	7.8	7.9
14:30	US	Personal Spending	Dec	% m/m	-0.3	-	-0.5	0.6
14:30	US	Personal Income	Jan	% m/m	0.3	-	-0.1	0.2
14:30	US	PCE Deflator SA	Dec	% m/m	0.0	-	0.1	0.1
16:00	US	Michigan index	Feb	pts	95.8	-	93.8	95.5
16:00	US	ISM manufacturing	Feb	pts	55.6	-	54.2	56.6
MONDAY (4 March)								
No important events								
TUESDAY (5 March)								
02:45	CN	Caixin China PMI Services	Feb	pts	54.0	-	51.1	53.6
09:55	DE	Markit Germany Services PMI	Feb	pts	-	-	55.3	55.1
10:00	EZ	Eurozone Services PMI	Feb	pts	-	-	52.8	52.3
11:00	EZ	Retail Sales	Jan	% m/m	-	-	1.3	-1.4
16:00	US	ISM services	Feb	pts	57.2	-	59.7	56.7
16:00	US	New Home Sales	Dec	% m/m	0.9	-	3.7	9.1
WEDNESDAY (6 March)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
14:15	US	ADP report	Feb	k	190	-	183	300
20:00	US	Fed Beige Book						
THURSDAY (7 March)								
09:00	HU	Industrial Production SA	Jan	% y/y	3.2	-	5.0	5.7
11:00	EZ	GDP SA	4Q	% y/y	1.2	-	1.1	1.2
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0	0.0
14:30	US	Initial Jobless Claims	week	k	222	-	223	226
FRIDAY (8 March)								
08:00	DE	Factory Orders	Jan	% m/m	0.5	-		-1.6
09:00	HU	CPI	Feb	% y/y	2.9	-		2.7
14:30	US	Change in Nonfarm Payrolls	Feb	k	180	-		304
14:30	US	Unemployment Rate	Feb	%	3.9	-		4.0

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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