

11 March 2019

Eyeopener

Data do not remove global growth worries

Fed president spoke dovishly on further rate path in the USA
EURUSD stabilised, the zloty and CEE fx regained losses
Domestic bonds stable, some weakening abroad
Today US retail sales data

On Friday we saw German factory orders and China foreign trade data that disappointed. The afternoon US non-farm payrolls fell short of the market consensus but the overall condition of the labour market did not look that bad. The unemployment rate fell and the average change of the non-farm payrolls stayed at a decent level. At the same time, the real estate data showed a revival. Market mood improved after the Fed president said that interest rates are now at the proper level and there is no deadline for the next rate hike. In Poland, labor demand data were released that were coherent with the recent data showing economic growth deceleration. The debt market remained strong while the zloty recovered after the Thursday's depreciation. Today German exports were published and the headline surprised to the upside fourth month in a row already but the industrial output contracted 0.8% m/m (vs consensus at +0.5% m/m).

EURUSD on Friday halted a decline triggered by dovish ECB conference. The trigger for the weakening of the dollar was the release of US non-farm payrolls data, which surprised strongly to the downside. As a result, EURUSD rebounded from 1.1190 in the morning to 1.1230 at the close. Today we expect EURUSD to return to a slight decline in reaction to manufacturing data from Germany and US retail sales (the latter will surprise positively, in our view).

On Friday, **EURPLN** trimmed all Thursday's gains, caused by the dovish ECB rhetoric, returning to 4.2980. The move was supported by slight weakening of the dollar in relation to euro. Today we expect to see some zloty depreciation in reaction to weaker-than-expected German industrial production.

In case of the **other CEE currencies**, EURHUF tracked EURPLN and it returned to 315.2 (thanks to higher core CPI reading). EURCZK moved to 25.64 from 25.62 amid below-consensus wage growth reading. USDRUB rose to 66.4 due to falling oil prices and concerns about the economic growth in Europe.

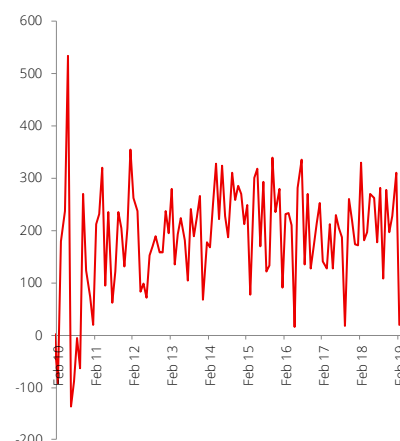
On the **domestic interest rate market** yields have stabilised at the levels reached on Thursday after the ECB conference. Domestic debt was not moved by the slight rise of yields in core markets (by 2-3bp). Today we expect yields to stabilise during the day and increase in the afternoon, after possibly better-than-expected data about US retail sales.

At the Friday's **debt auction**, the Ministry of Finance sold OK0521, PS0424, WZ0524, WZ0528 and DS1029 bonds for the total amount of PLN5bn at the standard auction (amid demand at PLN9.24bn) and PLN0.4bn at the top-up tender. Prices at the auction were close to those on the secondary market, most of funds were raised from the sale of PS0424 (PLN3.1bn in total).

This week, release of inflation data on Friday is crucial. GUS is to reveal full data for January and February calculated based on new basket weights. Our forecast for February is 1.2% y/y, in line with the market consensus, so the release is unlikely to affect the market. On Monday NBP will publish Inflation Report, which includes details of the updated staff economic projections. We will see what the central bank assumed about the fiscal package and its estimated impact on the economy. On Tuesday GUS releases foreign trade data for January. On Wednesday a session of the Polish parliament starts, possibly with the Swiss franc bill on the agenda.

In 4Q18, the **number of newly created jobs** fell by 13% y/y, recording a plunge for the first time in 11 quarters. At the same time, statistics of destroyed workplaces were still rising (by 17.4% y/y as compared to 30.2% y/y in 3Q18). The total pool of vacancies rose again (by 18.1% y/y) and 24% of jobs created in 4Q18 remained unoccupied (over the last 8 years a higher share of vacancies among newly created jobs was recorded only in 2Q18). The data show continuing problems with finding employees, which should be fuelling the wage pressure.

US non-farm payrolls, %m/m (k)



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2963	CZKPLN	0.1676
USDPLN	3.8201	HUFPLN*	1.3628
EURUSD	1.1246	RUBPLN	0.0579
CHFPLN	3.7890	NOKPLN	0.4395
GBPPLN	4.9716	DKKPLN	0.5759
USDCNY	6.7243	SEKPLN	0.4059

*for 100HUF

Last session in the FX market 08/03/2019

	min	max	open	close	fixing
EURPLN	4.297	4.316	4.312	4.301	4.3068
USDPLN	3.822	3.860	3.841	3.829	3.8409
EURUSD	1.118	1.125	1.123	1.124	-

Interest rate market 08/03/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.59	1	7 lut 19	OK0521	1.493
PS0424 (5L)	2.21	0	7 lut 19	PS0424	2.158
DS1029 (10L)	2.86	1	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	1.73	0	2.66	-1	-0.23	0
2L	1.78	0	2.59	-1	-0.18	1
3L	1.83	0	2.53	-2	-0.10	1
4L	1.91	0	2.50	-2	-0.01	1
5L	2.00	0	2.51	-2	0.08	0
8L	2.22	0	2.58	-2	0.37	-1
10L	2.35	-1	2.65	-2	0.56	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.58	0
T/N	1.59	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

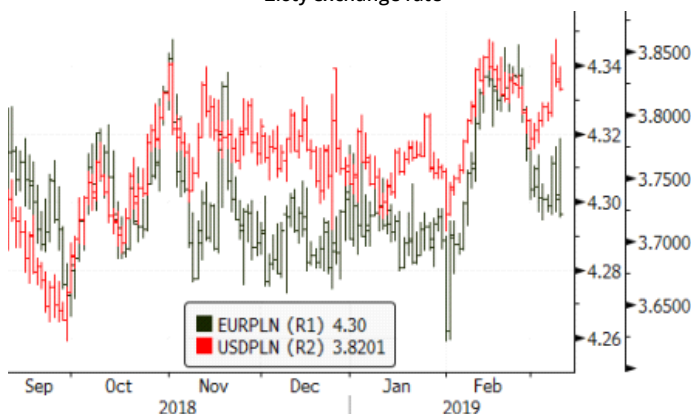
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.79 0
France	31 1	0.34 0
Hungary		3.13 0
Spain	60 1	1.09 11
Italy	196 -1	2.44 0
Portugal	70 0	1.28 0
Ireland	38 -2	0.60 0
Germany	13 -1	- -

* 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



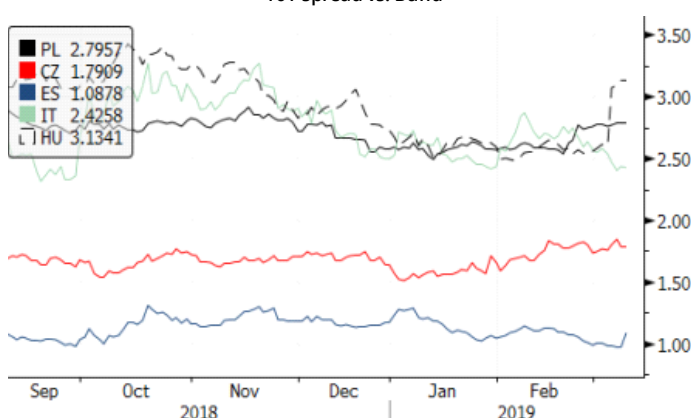
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (8 March)							
08:00	DE	Factory Orders	Jan	% m/m	0.5	-2.6	-1.6
09:00	HU	CPI	Feb	% y/y	2.9	3.1	2.7
14:30	US	Change in Nonfarm Payrolls	Feb	k	180.0	20.0	304.0
14:30	US	Housing Starts	Jan	% m/m	10.86	18.6	-11.2
14:30	US	Unemployment Rate	Feb	%	3.9	3.8	4.0
MONDAY (11 March)							
08:00	DE	Exports SA	Jan	% m/m	-0.5	0.0	1.5
08:00	DE	Industrial Production SA	Jan	% m/m	0.5	-0.8	-0.4
09:00	CZ	CPI	Feb	% y/y	2.6	2.7	2.5
13:30	US	Retail Sales Advance	Jan	% m/m	0.0	-	-1.2
TUESDAY (12 March)							
13:30	US	CPI	Feb	% m/m	0.2	-	0.0
WEDNESDAY (13 March)							
11:00	EZ	Industrial Production SA	Jan	% m/m	0.5	-	-0.9
13:30	US	Durable Goods Orders	Jan	% m/m	-0.75	-	1.2
THURSDAY (14 March)							
08:00	DE	HICP	Feb	% m/m	0.5	-	0.5
13:30	US	Initial Jobless Claims	Mar.19	k	225.0	-	223.0
15:00	US	New Home Sales	Jan	% m/m	1.04	-	3.7
FRIDAY (15 March)							
09:00	CZ	Industrial Production	Jan	% y/y	1.6	-	-1.4
10:00	PL	CPI	Feb	% y/y	1.2	1.16	0.9
11:00	EZ	HICP	Feb	% y/y	1.5	-	1.5
14:15	US	Industrial Production	Feb	% m/m	0.6	-	-0.58
15:00	US	Michigan index	Mar	pts	95.8	-	93.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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