

26 March 2019

# Eyeopener

## Finance minister searching for financing

Zloty and euro slightly stronger, bonds stable after stronger Ifo  
 British parliament will vote on Brexit alternatives  
 Finance Minister wants to keep fiscal deficit below 3% of GDP  
 Weaker business climate in manufacturing, improvement in other sectors  
 Today, central bank decision in Hungary, US Conference Board index

The start of the week brought a stabilisation of equities, bond prices and the fx market. German Ifo came stronger than expected and Polish data (money supply, business confidence indicators) confirmed the relatively positive picture seen in the data from the real sector.

In the evening the **British parliament** approved the amendment that allows the House of Commons to temporarily take control of the Brexit process. On Wednesday the parliament will hold indicative votes on alternatives to the deal negotiated by PM Theresa May. The list of proposals is not known yet, but it could include a free trade agreement, keeping the UK in the single market, a second referendum or withdrawal of the Brexit motion. The uncertainty remains, but the market welcomed the news with the appreciation of British pound.

**Finance Minister Teresa Czerwińska** said yesterday that rumours about her resignation were highly exaggerated. She also stated she was looking for possibilities to finance the new fiscal stimulus and wanted to do all she can to keep the GG deficit below 3% of GDP. On one hand, this shows that the Ministry has no ready plan how to fit the stimulus into the budget. On the other hand, it seems that the Ministry is on a hunt for solutions: Czerwińska confirmed they are scrutinising revenues and spending, while also admitting the spending rule and the 3% deficit anchor give "significant room" to introduce the fiscal package.

Yesterday **MPC members** commented on the new fiscal package and its impact on the monetary policy. According to Jerzy Osiatyński, the new proposals are likely to fuel inflation growth, so hikes this year cannot be ruled out. On the other hand, according to Kamil Zubelewicz the fiscal impulse will be neutral for monetary policy, but interest rates should be higher anyway. Jerzy Żyżyński though that the fiscal package neither rules out a cut (which is not necessary right now), nor brings tightening closer. According to Żyżyński, stabilisation of rates until the end of the MPC term (2022) is the baseline scenario. These comments do not change the monetary policy outlook in our view.

**Registered unemployment rate** remained unchanged in February at 6.1%, in line with expectations. The number of unemployed fell 6k m/m and 110k y/y which indicates that the pace of improvement is fading but the situation on the labour market remains very good.

March **economic sentiment survey** by GUS showed improvement in construction (highest index for 10 years) and trade and services (after a noticeable deterioration in the previous two months). Manufacturing companies were more pessimistic – the index of the overall situation fell to its lowest for two years, just like the subindexes of current and expected output. In February, the pace of **new orders growth** in Polish manufacturing accelerated (to 11.9% y/y from 9.1% y/y) despite a sharp deceleration of exports orders (to 4.4% y/y from 11% y/y). The growth of domestic orders emerged at the turn of the year.

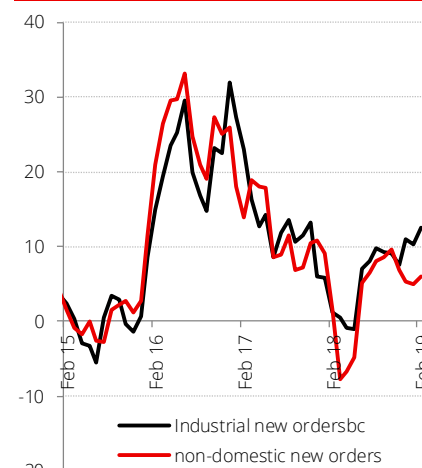
The **semi-annual investment survey** conducted by GUS showed a reduction of companies' plans for 2019. According to the survey. Investment is to grow by 4.1% instead of 5.5% expected in October. Companies employing 10-49 people recorded a major cut in spending (by 40%), while big companies employing 250-499 increased by 13.4% while a slight cut was expected in October. The biggest companies are planning to markedly increase investment spending.

At the beginning of the week **EURUSD** increased slightly, as a reaction to Ifo data release (which was better than expected), was moving to 1.1310 from 1.1300 ( during the day hitting 1.1340). Today we expect EURUSD to stabilise.

**EURPLN** slipped to 4.2920 from 4.2990 following the EUR appreciation. Today we expect zloty to stabilise waiting for the upcoming events.

On the **domestic debt market** yields stabilised, despite the slight decrease on the core markets. The move was accompanied with slight increase of IRS rates (+2bp). Today we expect yields to increase in the marginal scale.

New orders in manufacturing, % y/y, 3MMA



Source: GUS, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.2928	CZKPLN	0.1666
USDPLN	3.7939	HUFPLN*	1.3580
EURUSD	1.1315	RUBPLN	0.0591
CHFPLN	3.8190	NOKPLN	0.4447
GBPPLN	5.0136	DKKPLN	0.5751
USDCNY	6.7123	SEKPLN	0.4103

\*for 100HUF

### Last session in the FX market 25/03/2019

	min	max	open	close	fixing
EURPLN	4.287	4.306	4.296	4.293	4.2978
USDPLN	3.787	3.810	3.805	3.794	3.7966
EURUSD	1.129	1.133	1.132	1.132	-

## Interest rate market 25/03/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.63	2	21 mar 19	OK0521	1.633
PS0424 (5L)	2.18	2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.84	2	21 mar 19	DS1029	2.877

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

Risks on the interbank market						
Term	PL			US		EZ
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	1	2.52	-5	-0.22	0
2L	1.78	2	2.32	-8	-0.18	0
3L	1.82	3	2.23	-9	-0.12	0
4L	1.87	3	2.20	-9	-0.04	-1
5L	1.94	3	2.20	-9	0.04	-1
8L	2.14	3	2.28	-8	0.30	-1
10L	2.25	4	2.35	-7	0.48	-2

### WIBOR rates

Term	%	Change (bps)
O/N	1.42	-14
T/N	1.43	-15
SW	1.54	-1
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	1.71	0
6x9	1.71	1
9x12	1.71	2
3x9	1.78	0
6x12	1.77	0

### Measures of fiscal risk

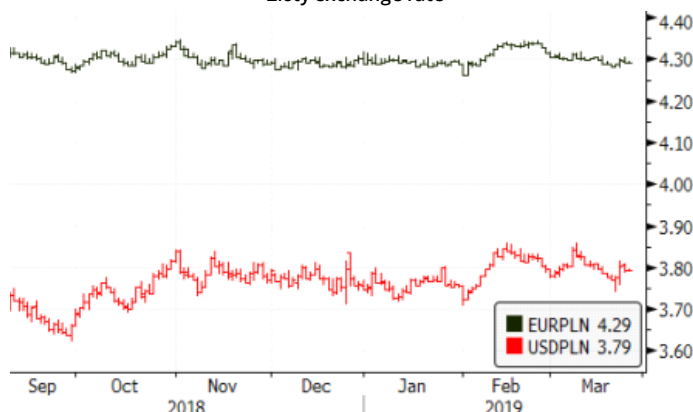
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.86 1
France	30 0	0.38 0
Hungary		2.92 -1
Spain	64 0	1.12 -1
Italy	203 1	2.51 -1
Portugal	71 1	1.31 -1
Ireland	38 0	0.61 0
Germany	12 1	- -

\* 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



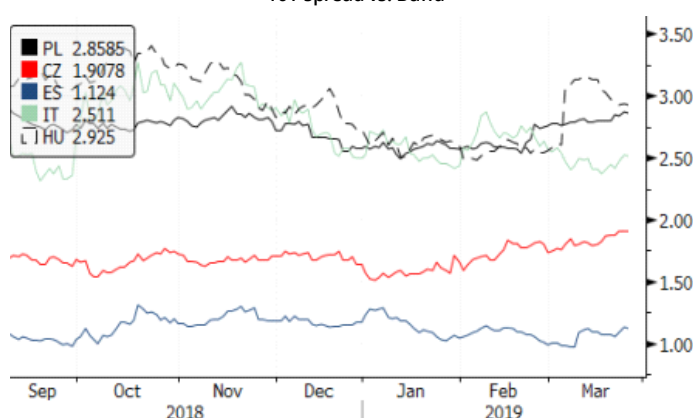
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
THURSDAY (21 March)								
10:00	PL	Construction Output	Feb	% y/y	4.9	8.0	15.1	3.2
10:00	PL	Retail Sales Real	Feb	% y/y	5.6	5.0	5.6	6.1
13:30	US	Initial Jobless Claims	week	k	225	-	221	230
13:30	US	Index Philly Fed	Mar	pts	4.8	-	13.7	-4.1
FRIDAY (22 March)								
09:30	DE	Germany Manufacturing PMI	Mar	pts	48.0	-	44.7	47.6
09:30	DE	Markit Germany Services PMI	Mar	pts	54.8	-	54.9	55.3
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	49.5	-	47.6	49.3
10:00	EZ	Eurozone Services PMI	Mar	pts	52.7	-	52.7	52.8
14:00	PL	Money Supply M3	Feb	% y/y	9.0	-	9.8	8.8
15:00	US	Existing Home Sales	Feb	% m/m	3.2	-	11.8	-1.2
MONDAY (25 March)								
10:00	DE	IFO Business Climate	Mar	pts	98.5	-	99.6	98.5
10:00	PL	Unemployment Rate	Feb	%	6.1	6,1	6.1	6.1
TUESDAY (26 March)								
13:30	US	Housing Starts	Feb	% m/m	-0.4	-		-14.0
14:00	HU	Central Bank Rate Decision		%	0.9	-		0.9
15:00	US	Consumer Conference Board	Mar	pts	132.0	-		131.4
WEDNESDAY (27 March)								
8:00	DE	Retail Sales	Feb	% m/m	-0.1	-		2.9
THURSDAY (28 March)								
11:00	EZ	ESI	Mar	pct.	-	-		106.1
13:00	CZ	Central Bank Rate Decision		%	1.88	-		1.75
13:30	US	GDP Annualized	4Q	% Q/Q	2.35	-		2.6
13:30	US	Initial Jobless Claims	week	k	225	-		229
14:00	DE	HICP	Mar	% m/m	0.0	-		0.5
15:00	US	Pending Home Sales	Feb	% m/m	0.5	-		4.6
FRIDAY (29 March)								
	PL	Fitch Rating Review						
10:00	PL	CPI	Mar	% y/y	-	1.6		1.2
11:00	EZ	Flash HICP	Mar	% y/y	0.0	-		1.5
13:30	US	Personal Spending	Feb	% m/m	0.3	-		0.6
13:30	US	Personal Income	Feb	% m/m	0.3	-		-0.1
13:30	US	PCE Deflator SA	Jan	% m/m	0.02	-		0.1
15:00	US	Michigan index	Mar	pts	97.7	-		97.8
15:00	US	New Home Sales	Feb	% m/m	1.6	-		-6.9

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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