

27 March 2019

Eyeopener

Half of MPC does not guarantee stable rates

Zloty and dollar stronger

Ancyparowicz: aggressive fiscal policy does not warrant stable rates

Government will "try" to obey to fiscal rule and 3% deficit limit

Bonds slightly weaker amid MPC members' comments

British parliament to consider alternative Brexit options

On Tuesday the Hungarian central bank hiked the deposit rate by 10bps and suggested this was the one-off move. US housing market data showed a decline in number of house starts, Conference Board consumer confidence index declined, while Fed members were underlining that the US economic growth may be close to 2% in 2019 and 2020. On the global markets, the oil prices rose due to worries about supply, bond yields remained relatively stable, while the dollar and the zloty gained versus the euro.

Today the British Parliament is to vote over Brexit alternatives, which may include a proposal of softer Brexit or second referendum. The discussion is about to start in the afternoon, votes in the evening.

MPC's Grażyna Ancyparowicz stated that given the looming "aggressive fiscal policy" she was no longer convinced that interest rates would remain stable. Prior to the presentation of the new fiscal package Ancyparowicz supported the view that rates are likely to remain stable until the end of MPC term. Now she had joined three other members (Gatnar, Hardt, Osiatyński) who think the change in fiscal outlook may need an adjustment in monetary policy. Together with Kamil Zubelewicz (who would like to hike rates regardless of the fiscal policy), this already makes a half of the entire rate-setting panel.

PM Mateusz Morawiecki stated that the government will "try" to stay within the limits set by the fiscal spending rule and to keep deficit below the 3% of GDP EU threshold, while working hard on finding **financing of the election promises**. He also said the budget is not a bottomless pit. At the same time, Deputy PM Beata Szydło ensured that she will soon show new proposals for teachers and the thirteenth pension, to be paid out this year, will be a permanent benefit, if only PiS wins the autumn elections. The statement that government will "try" may not be enough to calm down rating agencies, unless there is a credible calculation of the sources of financing. As we signalled many times, the scale of expenditures implied by the fiscal package is incompatible with the fiscal spending rule in its current form, unless new sources of significant incomes and/or cuts in other areas are defined. On Friday, Fitch is to publish Poland's rating review. The other two agencies have the reports on Poland scheduled for the second decade of April. We do not expect a change of rating or its outlook yet (too few details are still known about the government plans), but the agencies may express their opinions in a more precautionary tone.

EURUSD slumped on Tuesday to 1.1290 from 1.1320 despite disappointing data from the US housing market, consumer confidence and suggestion of slower growth expressed by the Fed representatives. Today the market should be relatively stable given no important data releases.

EURPLN rose to 4.299 yesterday in the first part of the day amid the dollar appreciation. Later in the day, the zloty recovered thanks to the rise of the US stock indexes. Today we think EURPLN could fall slightly amid lack of important data releases and the discussion in the UK parliament that could shed some more light on the Brexit scenario.

As regards the **other CEE currencies**, EURCZK held stable waiting for the tomorrow's Czech central bank decision. EURHUF jumped to 318.7 from 316.2. The Hungarian central bank raised the deposit rate and said this was a one-off adjustment for this year. USDRUB climbed to 64.4 from 64.0 despite rising oil prices.

On the **domestic interest rate market**, the 10Y bond yields were pretty stable while in the 2-5Y segment rates rose 2bp. Today we expect Polish debt to remain stable given the lack of important data releases.

Dates of Poland's rating reviews in 2019

March 29	Fitch
April 12	S&P
April 19	Moody's
September 27	Fitch
October 11	S&P, Moody's

Source: rating agencies, Santander

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FX market

Today's opening

EURPLN	4.2988	CZKPLN	0.1669
USDPLN	3.8112	HUFPLN*	1.3434
EURUSD	1.1279	RUBPLN	0.0588
CHFPLN	3.8459	NOKPLN	0.4443
GBPPLN	5.0324	DKKPLN	0.5757
USDCNY	6.7216	SEKPLN	0.4123

*for 100HUF

Last session in the FX market 26/03/2019

	min	max	open	close	fixing
EURPLN	4.289	4.299	4.293	4.293	4.297
USDPLN	3.790	3.806	3.794	3.805	3.7969
EURUSD	1.128	1.133	1.132	1.128	-

Interest rate market 26/03/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	offer	Average yield
PS0421 (2L)	1.65	-1	21 mar 19	OK0521	1.633
PS0424 (5L)	2.18	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.81	-4	21 mar 19	DS1029	2.877

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	0	2.54	2	-0.22	0
2L	1.79	1	2.36	3	-0.17	1
3L	1.82	0	2.26	4	-0.11	1
4L	1.87	1	2.23	4	-0.03	1
5L	1.95	1	2.24	4	0.06	1
8L	2.15	1	2.32	3	0.32	2
10L	2.26	0	2.38	3	0.50	2

WIBOR rates

Term	%	Change (bps)
O/N	1.50	8
T/N	1.51	8
SW	1.54	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	1.78	0
6x12	1.77	0

Measures of fiscal risk

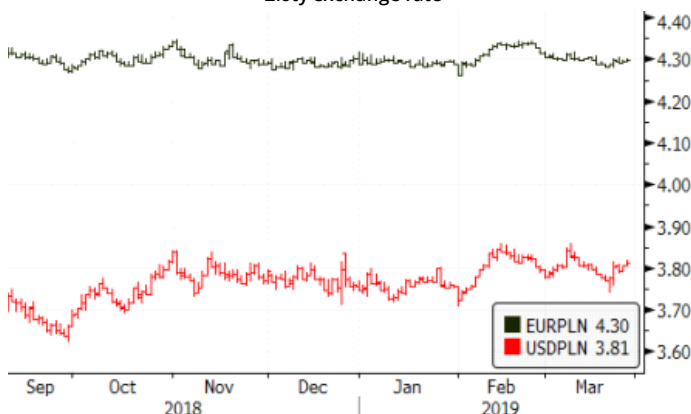
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.87 0
France	30 1	0.38 1
Hungary		2.91 -1
Spain	63 0	1.12 2
Italy	205 4	2.59 11
Portugal	72 2	1.31 0
Ireland	38 -2	0.61 1
Germany	12 1	- -

* 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



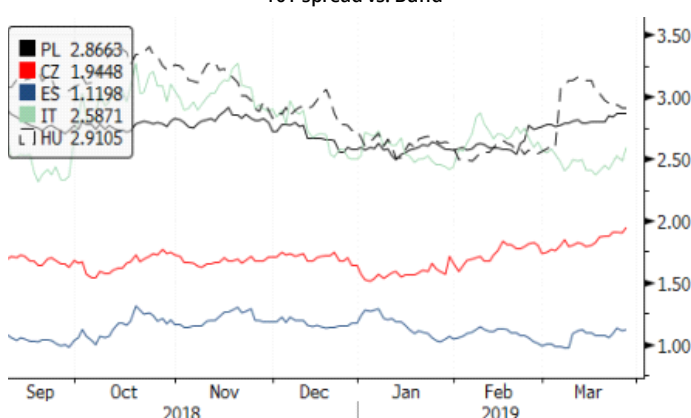
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME 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	-1.6	-	-8,7	11.7
14:00	HU	Central Bank Rate Decision		%	0.9	-	0.9	0.9
15:00	US	Consumer Conference Board	Mar	pts	132.5	-	124.1	131.4
WEDNESDAY (27 March)								
No important releases								
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						
8:00	DE	Retail Sales	Feb	% m/m	-1.0	-		2.9
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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