

2 April 2019

Eyeopener

Polish PMI surprised on the positive side

Beginning of the week in the good mood owing to US and China data

Polish PMI above forecasts

Zloty gains despite EURUSD fall

Domestic and core bonds pressured by data

Today Czech GDP and US durable goods orders

Better-than-expected data from China had the largest influence on the Monday session on global equity and bond markets. Chinese manufacturing PMI rose to the highest level since July, which put an upside pressure on stock indices while depressing bonds. Final readings of German and euro zone business sentiment indices showed an even larger declines than in the preliminary reports, but it did not affect the trading. In the afternoon, US industry's ISM index was released, beating market consensus, which offset the relatively poor reading of February retail sales.

Polish manufacturing PMI rebounded significantly in March, from 47.6 pts to 48.7 pts. New orders gauge improved, but remained below the neutral level. New export orders remained especially weak. Current output index rose somewhat and expectations about future activity were the most positive in six months. And yet employment index dropped to the lowest level in six years. Overall, this is a mixed picture, but prettier than what the Euro zone PMIs are showing. Polish economy is backed by strong domestic demand, which will be boosted further by a fiscal package.

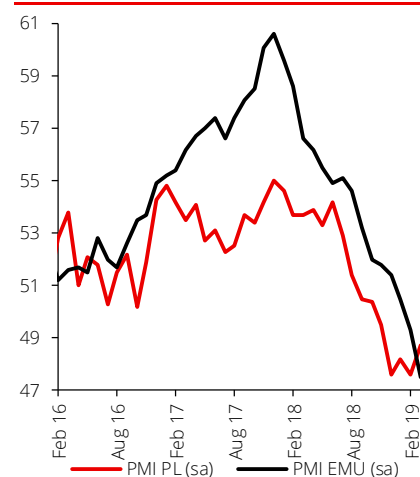
In 2018, **public finance deficit reached 0.4% of GDP**, the lowest since comparable data is available (1997) and debt amounted to 48.9% of GDP. We expect the deficit to rise in the years to come, to even 3% in 2020 due to the newly announced fiscal package. Debt/GDP should remain stable or could even fall marginally.

EURUSD was hovering slightly below 1.125 for the better part of the day and fell towards 1.121 after the strong US ISM reading. The exchange rate remains only slightly above this year's low at below 1.12 reached in early March. The yesterday's US data were pretty good and so EURUSD could stay low waiting for the Friday's nonfarm payrolls.

EURPLN eased to 4.294 and USDPLN ended the day near the opening level at c3.825. The zloty benefited from the positive global market sentiment and managed to recover Friday's losses but the room for appreciation was limited by the dollar strengthening. No important data are on the agenda today so the market may be still under the impact of the yesterday's data and so EURPLN may not rise.

On the domestic interest rate market, yields and IRS rose 3-4bp on the belly and long end of the curve following even bigger moves on the core markets. At the beginning of the week, the 10Y Bund yields rose 4bp and Treasuries by 7bp in reaction to the China and US data. Changes on the euro zone peripheries were similar to trends observed on the Polish market.

Manufacturing PMIs



Source: Markit, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: skarb.santander.pl

Piotr Bielski +48 22 534 18 87

Marcin Łuziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Konrad Soszyński +48 22 534 18 86

Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4.2992	CZKPLN	0.1668
USDPLN	3.8407	HUFPLN*	1.3343
EURUSD	1.1194	RUBPLN	0.0586
CHFPLN	3.8439	NOKPLN	0.4462
GBPPLN	5.0084	DKKPLN	0.5759
USDCNY	6.7221	SEKPLN	0.4127

*for 100HUF

Last session in the FX market 01/04/2019

	min	max	open	close	fixing
EURPLN	4.293	4.310	4.307	4.295	4.3035
USDPLN	3.822	3.841	3.835	3.833	3.8267
EURUSD	1.120	1.125	1.122	1.121	-

Interest rate market

01/04/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.68	1	21 mar 19	OK0521	1.633
PS0424 (5L)	2.22	4	21 mar 19	PS0424	2.209
DS1029 (10L)	2.86	4	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.73	0	2.58	3	-0.23	0
2L	1.79	2	2.45	6	-0.20	0
3L	1.84	3	2.38	7	-0.14	0
4L	1.92	4	2.36	8	-0.06	1
5L	1.99	5	2.36	8	0.03	2
8L	2.22	7	2.44	9	0.31	3
10L	2.33	7	2.49	9	0.50	3

WIBOR rates

Term	%	Change (bps)
O/N	1.55	3
T/N	1.55	1
SW	1.55	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	1.71	-1
6x9	1.71	0
9x12	1.71	0
3x9	1.78	0
6x12	1.78	0

Measures of fiscal risk

Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.89	4
France	31	-1	0.40	0
Hungary			2.98	1
Spain	64	0	1.17	0
Italy	207	1	2.55	2
Portugal	72	0	1.30	0
Ireland	38	1	0.62	0
Germany	13	0	-	-

* 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



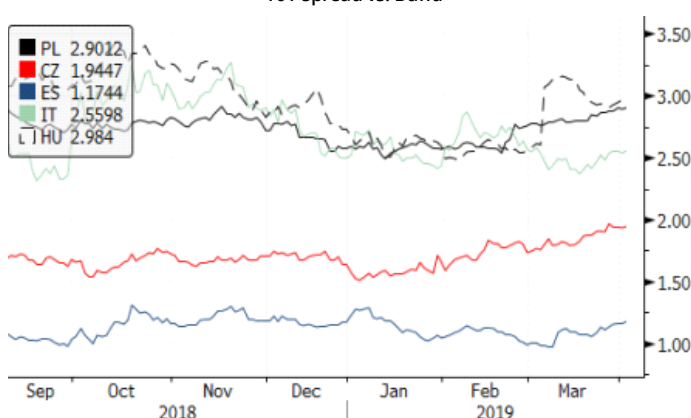
T-bonds yields



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 (29 March)								
	PL	Fitch Rating Review						
08:00	DE	Retail Sales	Feb	% m/m	-0.9	-	0.9	3.3
10:00	PL	CPI	Mar	% y/y	1.6	1.6	1.7	1.2
13:30	US	Personal Spending	Jan	% m/m	0.3	-	0.1	-0.6
13:30	US	Personal Income	Feb	% m/m	0.3	-	0.2	-0.1
13:30	US	PCE Deflator SA	Jan	% m/m	0.0	-	-0.1	0.1
15:00	US	Michigan index	Mar	pts	97.8	-	98.4	97.8
15:00	US	New Home Sales	Feb	% m/m	2.06	-	4.9	8.2
MONDAY (1 April)								
09:00	PL	Poland Manufacturing PMI	Mar	pts	47.32	47.0	48,7	47.6
09:55	DE	Germany Manufacturing PMI	Mar	pts	44.7	-	44,1	44.7
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	47.6	-	47,5	47.6
11:00	EZ	Flash HICP	Mar	% y/y	1.5	-	1,4	1.5
11:00	EZ	Unemployment Rate	Feb	%	7.8	-	7,8	7.8
14:30	US	Retail Sales Advance	Feb	% m/m	0.3	-	-0,2	0.7
16:00	US	ISM manufacturing	Mar	pts	54.3	-	55,3	54.2
TUESDAY (2 April)								
09:00	CZ	GDP SA	4Q	% y/y	2.8	-	2.6	2.8
14:30	US	Durable Goods Orders	Feb	% m/m	-1.8	-		0.3
WEDNESDAY (3 April)								
	PL	MPC decision		%	1.50	1.50		1.50
03:45	CN	Caixin China PMI Services	Mar	pts	52.25	-		51.1
09:55	DE	Markit Germany Services PMI	Mar	pts	54.9	-		54.9
10:00	EZ	Eurozone Services PMI	Mar	pts	52.7	-		52.7
11:00	EZ	Retail Sales	Feb	% m/m	0.1	-		1.3
14:15	US	ADP report	Mar	k	180	-		183
16:00	US	ISM services	Mar	pts	58.0	-		59.7
THURSDAY (4 April)								
08:00	DE	Factory Orders	Feb	% m/m	0.3	-		-2.6
14:30	US	Initial Jobless Claims	week	k	220	-		211
FRIDAY (5 April)								
08:00	DE	Industrial Production SA	Feb	% m/m	0.5	-		-0.8
09:00	HU	Industrial Production SA	Feb	% y/y	0.0	-		5.0
14:30	US	Change in Nonfarm Payrolls	Mar	k	175	-		20
14:30	US	Unemployment Rate	Mar	%	3.8	-		3.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.