

3 April 2019

Eyeopener

Today MPC conference

Calm market awaiting data
Zloty stable, EURUSD rebounded from this year's low
Domestic bonds gains after Monday weakening
Today MPC decision, PMI-services, ADP report

Tuesday session was less volatile than the Monday one. Stock exchanges gained on better-than-expected data released at the start of the week in China and the USA, while bonds regained some of the losses. Weak structure of the US data on durable goods orders offered temporary support to US Treasuries. The fx market was little changed, awaiting the US labour market later this week. In Poland, PiS spokeswoman Beata Mazurek stated that there will be changes in the government ahead of the European Parliament election. This morning we saw China's services PMI beating expectations. At night, the British PM Theresa May informed that she will ask the EU to prolong the Brexit negotiations and she will make efforts to convince the opposition to approve a new exit plan.

Yesterday, PiS spokeswoman Beata Mazurek said that there will be **changes in the government** ahead of the European Parliament election. Michał Dworczyk, head of the chancellery of the PM confirmed this is being discussed. According to media reports, such move would probably mean that finance minister Teresa Czerwińska resigns.

EURUSD did not move much yesterday. It stayed around 1.12 and finished the session slightly below this level, but above the year-to-date low of 1.117 from March. In the overnight trading EURUSD returned above 1.12 supported by hopes for an improvement in US-China trade talks. This afternoon we will get ADP report about the US labour market, which may be crucial if the exchange rate will test the 2019 low or start a corrective move to the declines seen since the middle of March.

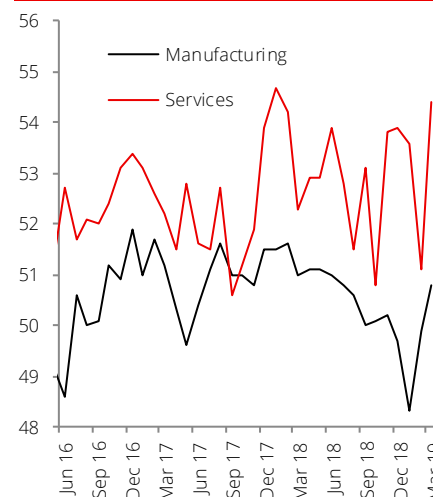
EURPLN rose slightly above 4.30 in the first hours of trading but later in the day the zloty recovered and the exchange rate returned to c4.295. USDPLN was hovering around 3.836. In case of the other CEE currencies, no big changes were recorded. Today the volatility might rise but rather due to the US ADP data than the outcome of the MPC meeting.

On the **domestic interest rate market** yields fell by no more than 2bp on the belly and long end thanks to strengthening seen abroad after the Monday's sell-off. Yesterday, Polish bonds gained less than its core and euro zone peripheral peers. During the night, the core bonds were pressured by the information about a substantial progress in the US-China trade talks. Today in the afternoon, the US March ADP report will be released and it seems that after the recent yield down move, the market reaction could be bigger in case of an upside surprise rather than in case of a disappointment. Positive global stock market mood at today's opening might pressure Polish bonds.

The **Ministry of Finance** announced that at the tomorrow's **switch auction** it will repurchase OK0419, PS0719, DS1019 and WZ0120 bonds. According to the Ministry, at the end of February, Polish banks were the biggest holders of these debt series (68%, 56%, 53% and 79% of these series outstanding at the end of February, respectively). The Ministry will offer OK0521, PS0424, WZ0524, WZ0528 and DS1029 for which the respective ratios were at 42%, 44%, 73%, 78% and 42%.

Today the MPC April meeting ends. Rates are to remain unchanged, but the Polish monetary policy is getting more interesting. Recently as many as five MPC members (out of 10) stated that rates stability could not be guaranteed given the new stimulus package. Still, Governor Glapiński did not support this view and he is the main driver of the conference rhetoric. Thus, the official wording of the MPC is likely to remain unchanged and the Governor's declaration to keep the rates intact until 2022 could be repeated.

China PMI



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2943	CZKPLN	0.1669
USDPLN	3.8277	HUFPLN*	1.3389
EURUSD	1.1219	RUBPLN	0.0586
CHFPLN	3.8340	NOKPLN	0.4465
GBPPLN	5.0376	DKKPLN	0.5753
USDCNY	6.7084	SEKPLN	0.4118

*for 100HUF

Last session in the FX market 02/04/2019

	min	max	open	close	fixing
EURPLN	4.293	4.302	4.295	4.298	4.3004
USDPLN	3.830	3.844	3.833	3.839	3.8403
EURUSD	1.118	1.121	1.121	1.120	-

Interest rate market

02/04/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.67	-1	21 mar 19	OK0521	1.633
PS0424 (5L)	2.22	-1	21 mar 19	PS0424	2.209
DS1029 (10L)	2.85	-1	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	1.73	2.57	-0.23
2L	1.78	2.43	-0.21
3L	1.83	2.35	-0.15
4L	1.90	2.33	-0.07
5L	1.98	2.34	0.01
8L	2.20	2.42	0.30
10L	2.31	2.48	0.48

WIBOR rates

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

Measures of fiscal risk

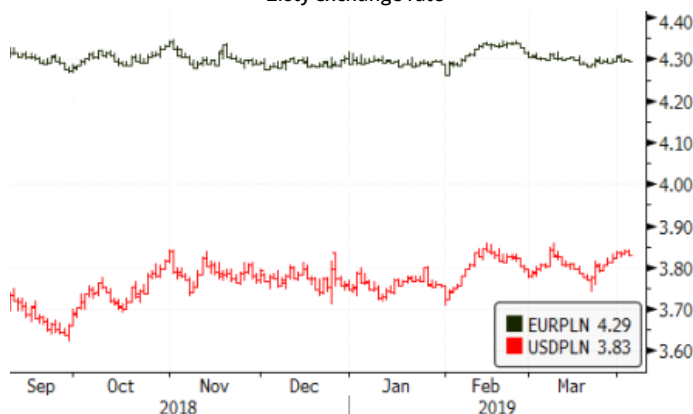
Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.87	-4
France	31	-1	0.40	0
Hungary			2.96	-3
Spain	64	-1	1.16	-1
Italy	208	1	2.57	0
Portugal	72	1	1.29	-1
Ireland	38	1	0.63	0
Germany	13	0	-	-

* 10Y treasury bonds over 10Y Bunds

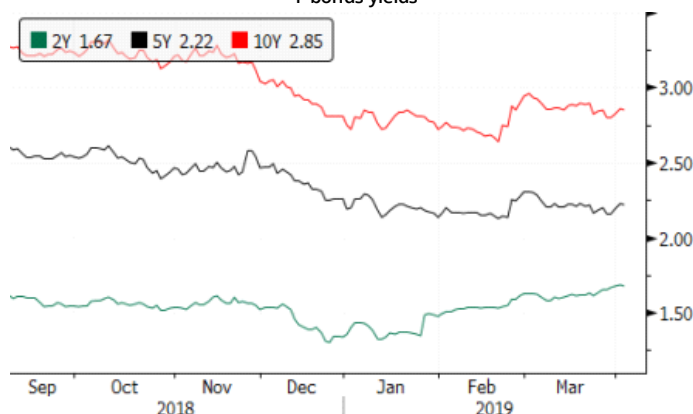
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

Zloty exchange rate



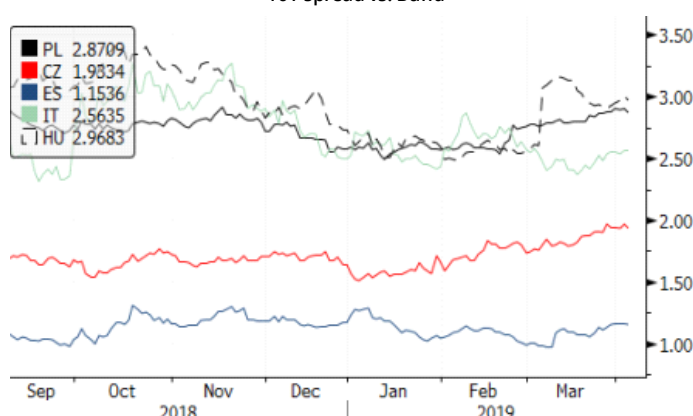
T-bonds yields



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	-	-1.6	0.1
WEDNESDAY (3 April)								
	PL	MPC decision		%	1.50	1.50		1.50
03:45	CN	Caixin China PMI Services	Mar	pts	52.3	-	54.4	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	0.3	-		1.3
14:15	US	ADP report	Mar	k	175	-		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

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