

4 April 2019

Eyeopener

MPC in the stable rates world

MPC more dovish

Zloty appreciated supported by rising EURUSD

Domestic bonds fell, following the core markets

Today US labour market data

Data releases on Wednesday included services PMIs from the euro zone and China (stronger than expected) and ISM services index for the USA (worse than expected). ADP report on US labour market also came weaker than consensus. And yet, investors focused on positive surprises from Europe and China which resulted in higher bond yields, equity indices, EURUSD and oil prices while EURPLN declined. What is more, there was a positive market response to the progress in Brexit talks between the UK government and the opposition. Polish MPC press conference had a very dovish message, which did not affect Polish assets. Morning data on German factory orders were a big disappointment.

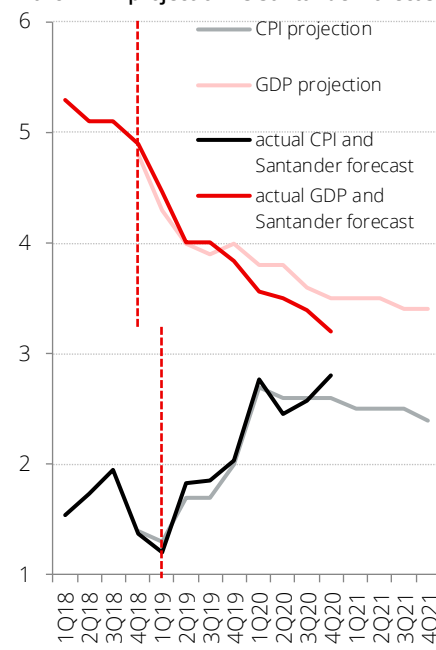
In line with expectations, the **MPC kept interest rates unchanged**, with the main policy rate at 1.50%. The official communique was brief and its tone remained dovish – the Council expects the economy to slow gradually and inflation to remain moderate and "near the target" in the medium term. NBP Governor Adam Glapiński repeated his view that the new fiscal stimulus will have no influence on interest rate policy, as in his opinion it will increase economic growth slightly and will have a negligible impact on inflation. He commented that the government's plans are "completely safe" and will generate absolutely no risks, only positive effects. The MPC's Jerzy Żyżyński shared a similar view. Kamil Zubelewicz, considered the most hawkish MPC member, noted that several Council members had different opinions at the meeting and were concerned that the fiscal impulse could push inflation higher. However, he acknowledged that the impact should not be greater than 1pp and is unlikely to push inflation above the 2.5% target. Glapiński was highly confident that there was no risk of rising inflationary pressure in Poland – neither from fiscal impulse, nor from the labor market – as global growth is fading and the environment is highly unsupportive for price growth. Overall, the official **rhetoric of the MPC remains dovish** and even though some concerns about the fiscal easing have begun to emerge, it is far too early to change the monetary policy bias. We still believe that there will be no change in monetary policy in Poland before the end of the year.

EURUSD rose yesterday amid improving market sentiment, after news about progress in US-China trade talks. The exchange rate moved from 1.1200 to 1.1250. Today we expect some weakening of the euro after the poor data on German industrial new orders.

EURPLN was declining on Wednesday since the early morning, buoyed by rising equity markets, higher EURUSD and positive surprise from services PMI in the Eurozone. As a result, the day ended at 4.2880 vs. 4.2970 at the opening. Today we expect to see a rebound amid weaker data from Germany.

On the **domestic interest rate market**, bond yields climbed following the core markets, where information on progress in Sino-US trade talks and better-than-expected data from the euro zone service sector pushed yields up. As a result, the longer end of the curve went up by 3bps (as compared to upward move by 3bps in UST and by 5bps in 10Y Bunds), while the middle and the shorter end of the curve were relatively stable. A more visible rises occurred on the IRS curve – by 3-5bps in 5-10Y segment. The MPC decision did not affect the debt market. Today we are expecting the prices to go up in reaction to weak data from Germany. The switching auction, scheduled for today, should not have any negative impact on Polish bonds.

March NBP projection vs Santander forecast



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2926	CZKPLN	0.1669
USDPLN	3.8190	HUFPLN*	1.3415
EURUSD	1.1240	RUBPLN	0.0585
CHFPLN	3.8267	NOKPLN	0.4452
GBPPLN	5.0349	DKKPLN	0.5751
USDCNY	6.7157	SEKPLN	0.4118

*for 100HUF

Last session in the FX market 03/04/2019

	min	max	open	close	fixing
EURPLN	4.285	4.300	4.298	4.290	4.2941
USDPLN	3.810	3.841	3.839	3.815	3.8192
EURUSD	1.119	1.126	1.120	1.124	-

Interest rate market

03/04/2019

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)	2.23	2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.88	3	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.58	1	-0.23	0
2L	1.79	0	2.45	2	-0.19	1
3L	1.84	1	2.37	2	-0.12	2
4L	1.93	3	2.35	2	-0.04	3
5L	2.00	3	2.36	2	0.05	4
8L	2.22	3	2.44	2	0.34	5
10L	2.35	4	2.50	2	0.53	5

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	1.72	1
6x9	1.72	1
9x12	1.72	0
3x9	1.79	1
6x12	1.78	1

Measures of fiscal risk

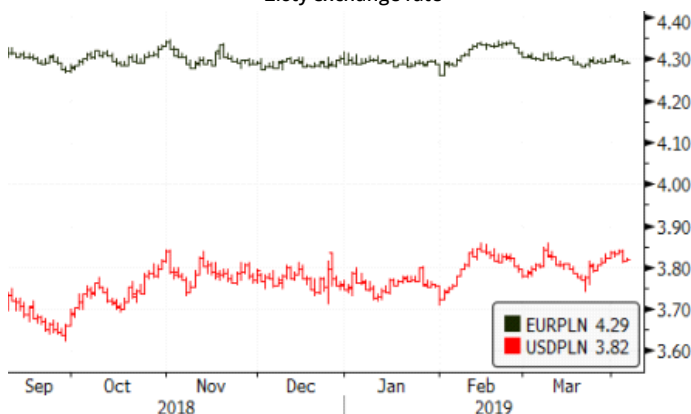
Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland	30	0	2.89	4
France			0.39	0
Hungary			3.01	7
Spain	62	2	1.14	1
Italy	203	3	2.55	2
Portugal	71	1	1.27	1
Ireland	38	1	0.62	0
Germany	13	-1	-	-

* 10Y treasury bonds over 10Y Bunds

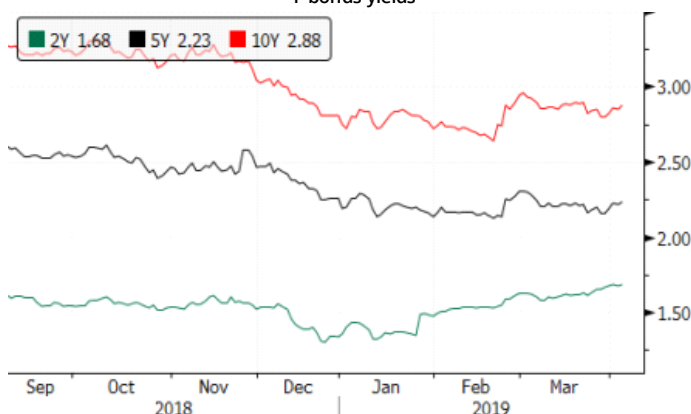
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

Zloty exchange rate



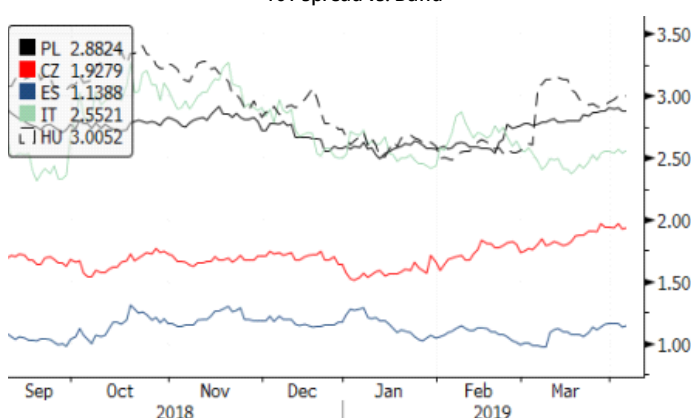
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

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	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	-	55.4	54.9
10:00	EZ	Eurozone Services PMI	Mar	pts	52.7	-	53.3	52.7
11:00	EZ	Retail Sales	Feb	% m/m	0.3	-	0.4	1.3
14:15	US	ADP report	Mar	k	175	-	129	183
16:00	US	ISM services	Mar	pts	58.0	-	56.1	59.7
THURSDAY (4 April)								
08:00	DE	Factory Orders	Feb	% m/m	0.3	-	-4.2	-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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