

8 April 2019

Eyeopener

World Bank sees 4% GDP growth in Poland

US nonfarm payrolls rise more than expected
World Bank has positive view about Polish economy
Markets stable at the end of the week
German exports disappoints, US data in the afternoon

On Friday, data on US employment change were released. The non-farm payrolls were a bit better than expected, just like the German production for February. The data did not cause neither a rise of bond yields nor any significant changes on the FX market. Donald Trump said Fed should lower interest rates and stop withdrawing from QE. Great Britain asked for a Brexit extension to 30 June 2019 and the motion will be discussed during the EU summit starting this Wednesday. Today the sentiment is somewhat negative, possibly due to disappointing German exports data.

The World Bank has released its new forecasts for the Polish economy, with GDP growth at 4.0% in 2019, 3.6% in 2020 and 3.3% in 2021. General government deficit is expected at 1.4%, at 1.6% and 1.8% of GDP in 2019-2021 respectively, with moderate decline of debt-to-GDP. Main risks named by the World Bank include the labour market squeeze, pro-cyclical election-driven economic policies and unfavourable global factors.

Poland Ministry of Finance informed it had PLN63.4bn liquidity at the end of March, while the average debt maturity was 4.96 years.

EURUSD rose on Friday to 1.125 pushed by stronger-than-expected German data but the US nonfarm payrolls release pulled the exchange rate back to 1.121. The data on German exports that came this morning did not cause a market reaction. We think the exchange rate can be quite stable today as the market awaits Wednesday ECB decision. EURUSD stays close to this year's low, set in early March.

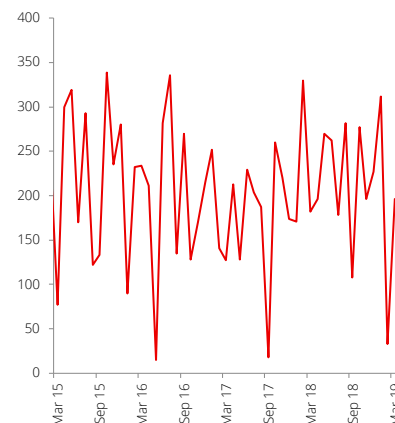
EURPLN was moving around 4.29 on Friday, holding within the Wednesday's range. The publication of World Bank about the Polish economy had no influence on the zloty. At the start of the session the sentiment is slightly negative which might curb the EURPLN's downside potential.

In the CEE region, EURCZK fell and ended the day at 25.61 thanks to the Czech National Bank sustaining a view that hikes are possible and better-than-expected retail sales data. EURHUF climbed to 321.4 from 320.1 despite higher-than-expected industrial output in February. USDRUB went down to 65.30 from 65.50, supported by higher oil prices. Lower inflation in March did not affect the ruble markedly.

On the domestic debt market yields rose by 2bp on the long end of the curve, following the morning rises of yields on the core markets. The short-end rates decreased by 3bp. Today we expect slight decreases of domestic yields as a reactions to poor German export data.

This week, the IMF and World Bank Spring Summit will take place that will provide opportunity for the officials to discuss global (rather gloomy) outlook. The ECB meeting is also in the calendar – with possibly more details on TLTRO III and more information on the unwelcome effects of prolonged period of low rates Mario Draghi mentioned recently that triggered a strengthening of bonds. In Poland, we will only see February balance of payments data with expected low exports and imports pace of growth. Among the global data, euro zone industrial output (weak PMIs do not bode well), US inflation should be watched the most.

US nonfarm payrolls monthly change, k



Source: Bloomberg, 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 Luziński +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	4.2927	CZKPLN	0.1674
USDPLN	3.8227	HUFPLN*	1.3359
EURUSD	1.1229	RUBPLN	0.0586
CHFPLN	3.8249	NOKPLN	0.4445
GBPPLN	4.9912	DKKPLN	0.5750
USDCNY	6.7171	SEKPLN	0.4113

*for 100HUF

Last session in the FX market 05/04/2019

	min	max	open	close	fixing
EURPLN	4.286	4.295	4.289	4.289	4.2921
USDPLN	3.813	3.829	3.823	3.826	3.8215
EURUSD	1.121	1.125	1.122	1.122	-

Interest rate market

05/04/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.65	-3	21 mar 19	OK0521	1.633
PS0424 (5L)	2.24	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.92	2	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	1.73	2.58	-0.23
2L	1.80	2.44	-0.20
3L	1.86	2.37	-0.13
4L	1.95	2.34	-0.05
5L	2.04	2.35	0.04
8L	2.26	2.42	0.34
10L	2.39	2.48	0.53

WIBOR rates

Term	%	Change (bps)
O/N	1.55	1
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	0
6x9	1.72	0
9x12	1.73	1
3x9	1.79	0
6x12	1.79	1

Measures of fiscal risk

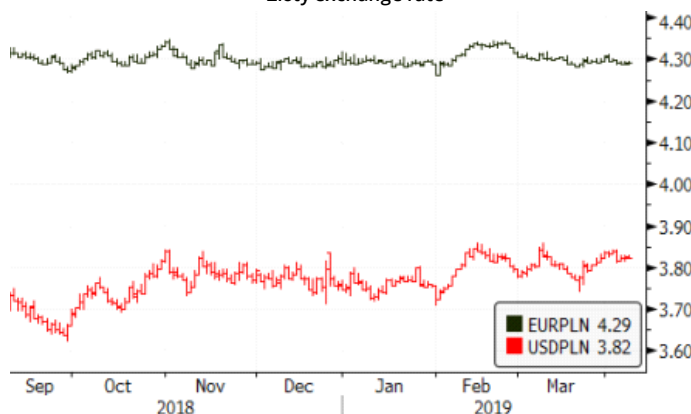
Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.92	2
France	29	1	0.36	0
Hungary			3.03	1
Spain	62	2	1.10	0
Italy	201	1	2.48	1
Portugal	70	0	1.25	0
Ireland	36	0	0.58	0
Germany	13	-1	-	-

* 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



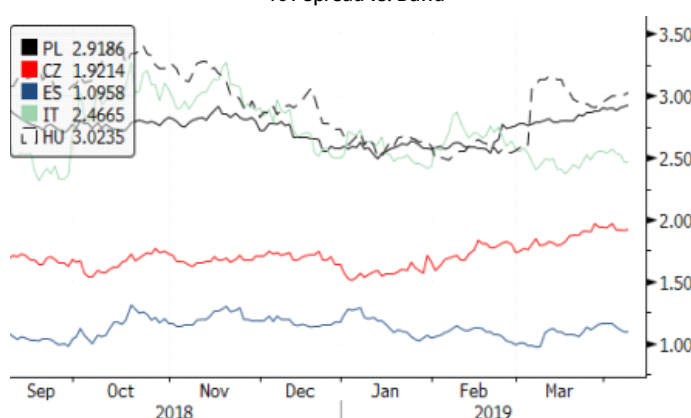
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (5 April)								
08:00	DE	Industrial Production SA	Feb	% m/m	0.5	-	0.7	-0.8
09:00	HU	Industrial Production SA	Feb	% y/y	5.1	-	5.9	5.0
14:30	US	Change in Nonfarm Payrolls	Mar	k	177.0	-	196.0	20.0
14:30	US	Unemployment Rate	Mar	%	3.8	-	3.8	3.8
MONDAY (8 April)								
08:00	DE	Exports SA	Feb	% m/m	-0.05	-	-1,3	0.1
09:00	CZ	Industrial Production	Feb	% y/y	1.5	-	5,8	-1.1
16:00	US	Durable Goods Orders	Feb	% m/m	-1.8	-		-1.6
16:00	US	Factory Orders	Feb	% m/m	-0.5	-		0.1
TUESDAY (9 April)								
09:00	HU	CPI	Mar	% y/y	0.0	-		3.1
WEDNESDAY (10 April)								
09:00	CZ	CPI	Mar	% y/y	2.9	-		2.7
13:45	EZ	ECB Main Refinancing Rate	/19	%	0.0	-		0.0
14:30	US	CPI	Mar	% m/m	0.3	-		0.2
20:00	US	FOMC Meeting Minutes			-	-		0.0
THURSDAY (11 April)								
08:00	DE	HICP	Mar	% m/m	0.5	-		0.5
14:30	US	Initial Jobless Claims	week	k	215.0	-		202.0
FRIDAY (12 April)								
11:00	EZ	Industrial Production SA	Feb	% m/m	-0.5			1.4
14:00	PL	Current Account Balance	Feb	€mn	-256	-597		2 316
14:00	PL	Trade Balance	Feb	€mn	-176	-506		279
14:00	PL	Exports	Feb	€mn	18 068	-		18 493
14:00	PL	Imports	Feb	€mn	18 248	-		18 214
16:00	US	Michigan index	Apr	pts	98.0	-		98.4

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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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.