

11 April 2019

Eyeopener

ECB concerned about growth

ECB leaves interest rates unchanged and points to growth risks

Zloty and bonds gain after the ECB conference

Today, US initial jobless claims

The largest impact on yesterday's session had the ECB post-meeting press conference. The central bank did not change interest rates and confirmed plans to launch a new TLTRO program. The tone of the press conference was clearly dovish and the governor said that the balance of risks to growth is still negative. As a result, the euro weakened temporarily and bond yields decreased. On the domestic market, yields went down and the zloty strengthened. US inflation data formed a background for appreciation of the dollar.

At the yesterday European Council summit there was a decision to postpone Brexit from April 12 to October 31, with an option to leave the EU earlier once the Great Britain approves the deal. The Council stressed that if the UK fails to leave the EU before the European Parliament election, then it has to organise it too. Otherwise it will be forced to leave the EU on June 1. The European Council repeated that content of the negotiated deal is fixed.

According to the March FOMC minutes, most of the Committee members were of the opinion that the interest rates should stay at the current level in 2019. Several members did not exclude slight tightening of monetary policy if US economy develops in line with the FOMC expectations. Several members said that they would be willing to raise or lower interest rates depending on incoming data and external environment changes. Publication of the document did not affect the market significantly.

The new IMF Fiscal Monitor showed higher forecasts of general government deficit in Poland. In 2019, the deficit is expected to rise to 2.2% of GDP and stabilise at 3.1% in 2020-24. The October edition showed 2019 deficit at 1.5% of GDP and 1.3-1.4% in the years to come. Primary balance was expected to fall from a 1% surplus in 2018 to -0.6% in 2019 and -1.5% in the following years as compared to 0.0-0.3% previously expected in 2018-2023. The IMF has raised the expected spending-to-GDP path but kept revenues forecasts unchanged (with an exemption of 2019, which went up by 0.4% of GDP). Thus, public debt forecast also went up. Currently the Fund sees the GDP growth go up to 2022 despite falling to 45% and then to climb further.

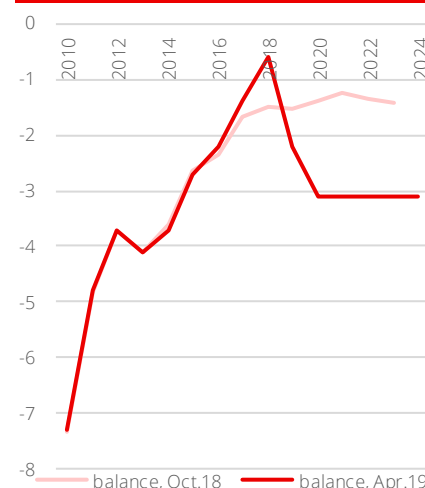
EURUSD remained elevated in the first part of the day, ahead of the ECB conference, which encouraged the exchange rate to slide temporarily but quickly to 1.123 from 1.128. A rebound occurred soon so this morning the pair is trading close to 1.127. Today we will not get to see many important statistics, so EURUSD should remain rather stable.

EURPLN was going down on Wednesday, driven by the ECB conference. Its dovish tone pushed the exchange rate down to 4.278 from 4.285. Thus, the rate approached the March low at 4.275.

As for the other CEE currencies, EURCZK and EURHUF dropped, responding to the dovish ECB remarks. USDRUB also went down, mainly under the influence of a fast rise of the oil price.

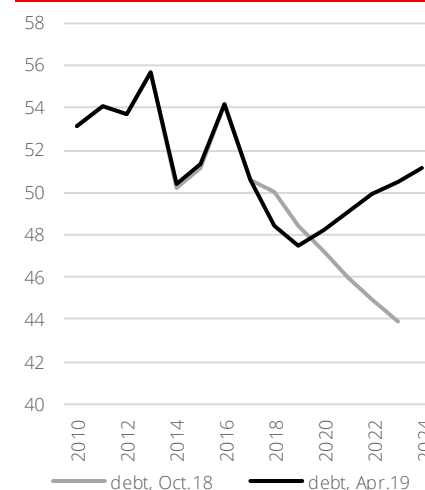
On the domestic interest rate market, bond yields were going down before the noon, supported by expectations about the ECB conference. A somewhat stronger move occurred during the conference, when Polish bond yields followed core markets. On daily basis, yields fell by 1-2bp across the curve, with a slightly lighter move of the IRS rates. Today, we are expecting a stabilisation after yesterday's strengthening.

IMF forecast revision of Polish general government balance, % GDP



Source: IMF, Santander

IMF forecast revision of Polish general government debt, % GDP



Source: IMF, Santander

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FX market

Today's opening

EURPLN	4.2796	CZKPLN	0.1672
USDPLN	3.7922	HUFPLN*	1.3315
EURUSD	1.1285	RUBPLN	0.0590
CHFPLN	3.7853	NOKPLN	0.4469
GBPPLN	4.9656	DKKPLN	0.5732
USDCNY	6.7153	SEKPLN	0.4097

*for 100HUF

Last session in the FX market 10/04/2019

	min	max	open	close	fixing
EURPLN	4.279	4.287	4.287	4.280	4.2852
USDPLN	3.794	3.813	3.803	3.796	3.8023
EURUSD	1.123	1.129	1.127	1.128	-

Interest rate market 10/04/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.64	0	21 mar 19	OK0521	1.633
PS0424 (5L)	2.20	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.89	-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	2.57	-0.24
2L	1.80	2.42	-0.22
3L	1.85	2.33	-0.16
4L	1.94	2.31	-0.09
5L	2.02	2.31	0.00
8L	2.24	2.39	0.29
10L	2.36	2.46	0.48

WIBOR rates

Term	%	Change (bps)
O/N	1.54	0
T/N	1.54	0
SW	1.55	0
2W	1.58	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	-1
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	1.72	0
3x9	1.79	0
6x12	1.79	0

Measures of fiscal risk

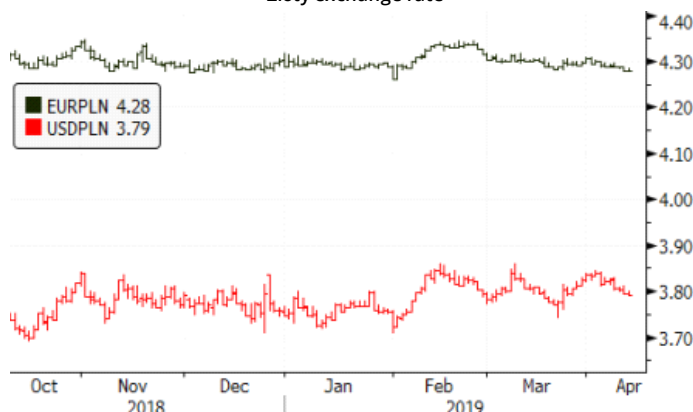
Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland	29	0	2.91	-3
France			0.35	0
Hungary			3.11	0
Spain	62	1	1.07	0
Italy	199	0	2.44	1
Portugal	70	1	1.19	0
Ireland	37	-2	0.56	0
Germany	13	0	-	-

* 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



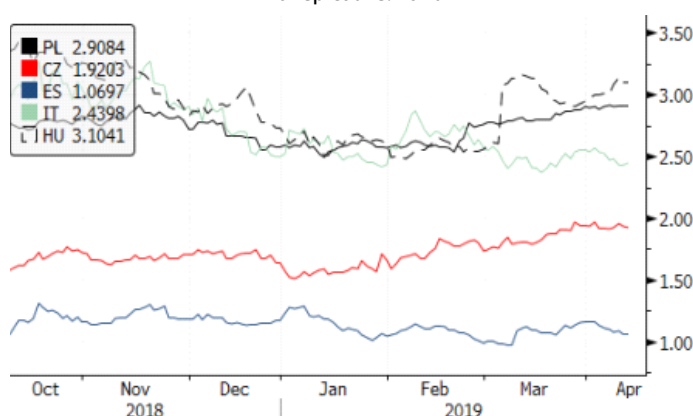
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

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	-	1,5	-1.1
16:00	US	Durable Goods Orders	Feb	% m/m	-1.8	-	-1.6	-1.6
16:00	US	Factory Orders	Feb	% m/m	-0.5	-	-0.5	0.1
TUESDAY (9 April)								
09:00	HU	CPI	Mar	% y/y	3.5	-	3.7	3.1
WEDNESDAY (10 April)								
09:00	CZ	CPI	Mar	% y/y	2.9	-	3.0	2.7
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0	0.0
14:30	US	CPI	Mar	% m/m	0.4	-	0.4	0.2
20:00	US	FOMC Meeting Minutes						
THURSDAY (11 April)								
08:00	DE	HICP	Mar	% m/m	0.5	-	0.5	0.5
14:30	US	Initial Jobless Claims	week	k	215	-		202
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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