

23 April 2019

Eyeopener

Rating defended

Moody's affirms Poland rating

April's GUS business index down

Today: Polish GDP 2017-2018 revision, abroad US housing market data

The last Friday did not bring important changes on the global market. Most of the stock exchanges were closed, in many areas there was no bond trading. The fx markets were open, but were not moving much. US data about building permits and housing starts disappointed, but did not cause market reaction. Moody's confirmed Polish rating at A2 with stable outlook.

On Friday **the Moody's agency confirmed Poland's rating at A2** with stable outlook. According to the Moody's, the fiscal stimulus will break neither Polish nor the EU fiscal rules. The Moody's noted that the institutional strength is a weak spot, as the assessment of rule of law deteriorated over the last years. The agency increased its estimate of GG deficit in 2019 to 1.8% of GDP (from 1.7% estimated in September 2018). Deficit in 2020 is expected at 2.6% of GDP. The agency expected Poland's GDP growth at 4.4% in 2019 and 3.7% in 2020.

The MPC's Jerzy Kropiwnicki said that CPI inflation is likely to exceed 3.5% in 2020 due to the rising wage pressure, higher energy prices and oil prices. Kropiwnicki concluded that a rate hike is possible at the start of 2020. Thus, the MPC member join the faction stating that stability of interest rates until end of the MPC term cannot be secured. This faction counts 6 people and has built a majority.

GUS synthetic index of business sentiment and all of its sectoral components declined in April. Current assessment indicators dropped more m/m than forward-looking ones, but in the case of the latter there was a large downside adjustment already at the start of the year. Industrial new orders looked ok, but the index of expected output remained the lowest in 2.5 years. Construction sector has the highest level of new orders indicator ever, but its index of expected employment has been decreasing for several months already, which could express further issues with getting new workers. In the retail trade sector there are still hopes for a rebound of activity despite continued decline of current sales indicator. On the other hand, the services sector is correcting lower its expected sales, as it observes weakening demand. The GUS business sentiment indicators fit a picture of a gradual economic slowdown this year.

Central bank's quarterly economic activity survey showed a significant deterioration of the corporate earnings for 4Q18. This was partly caused by the one-off factors and falling margins due to rising wages. According to the report, the labour market has already passed the most difficult period and companies reported that the wage pressured eased somewhat. Forecasts of demand and exports for 2Q19 deteriorated sharply. The index of the new investments fell as well but the outlook remains moderately positive, according to the central bank.

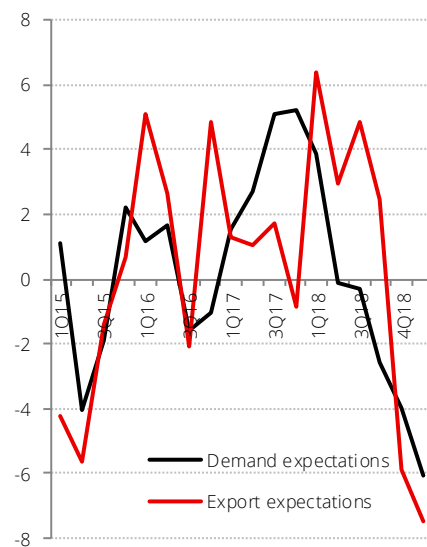
EURUSD stayed below 1.125 on Friday despite a slight rise. This week, we will see numerous US data with the first portion today. However, but we think that the releases scheduled for the next days should attract more of the investors' attention and today the market should be calm.

EURPLN was trading around 4.28 and USDPLN close to 3.805 at the turn of the week. The other CEE currencies did not move much either. EURPLN rebounded from the lower end of the range in which it has been holding since August and the next weeks should bring continuation of this trend.

At the turn of the week, **Polish IRS and bond yields** remained stable, just like their core and euro zone peripheral peers.

This week is shorter but we will see a number of new data releases, and secondly the election campaign for the European Elections is entering its crucial stage. Yet today, the statistical office may surprise us with the quarterly GDP data revision for 2017-2018. One year ago a similar revision showed a substantial reduction (by -6pp) of investment growth in the last quarter of 2017. After the drop of yields in the past week, the coming days may also be positive for bonds. This could be thanks to the data releases (relatively weak Polish retail sales, no meaningful improvement in the global macro data) and the bond auction (with possibly quite positive results due to PLN8bn of bonds maturing on April 25). On the FX market, EURPLN could rise.

Y/y change of selected NBP business sentiment indicators



Source: NBP, Santander Bank Polska

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	4.2860	CZKPLN	0.1666
USDPLN	3.8102	HUFPLN*	1.3361
EURUSD	1.1249	RUBPLN	0.0597
CHFPLN	3.7454	NOKPLN	0.4472
GBPPLN	4.9492	DKKPLN	0.5740
USDCNY	6.7149	SEKPLN	0.4082

*for 100HUF

Last session in the FX market 22/04/2019

	min	max	open	close	fixing
EURPLN	4.267	4.294	4.278	4.284	4.2802
USDPLN	3.795	3.818	3.806	3.805	3.8051
EURUSD	1.124	1.126	1.124	1.126	-

Interest rate market

22/04/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.57	0	21 mar 19	OK0521	1.633
PS0424 (5L)	2.20	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.87	0	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	1.74	2.59	-0.23
2L	1.84	2.47	-0.20
3L	1.91	2.42	-0.13
4L	1.99	2.40	-0.05
5L	2.08	2.42	0.04
8L	2.31	2.50	0.34
10L	2.43	2.57	0.53

WIBOR rates

Term	%	Change (bps)
O/N	1.59	0
T/N	1.59	0
SW	1.57	0
2W	1.58	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.87	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.72	0
3x6	1.72	0
6x9	1.73	0
9x12	1.74	0
3x9	1.79	0
6x12	1.80	0

Measures of fiscal risk

Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.83	-1
France	29	0	0.35	0
Hungary			3.13	0
Spain	58	1	1.04	0
Italy	194	1	2.59	1
Portugal	67	0	1.14	0
Ireland	30	3	0.50	0
Germany	12	1	-	-

* 10Y treasury bonds over 10Y Bunds

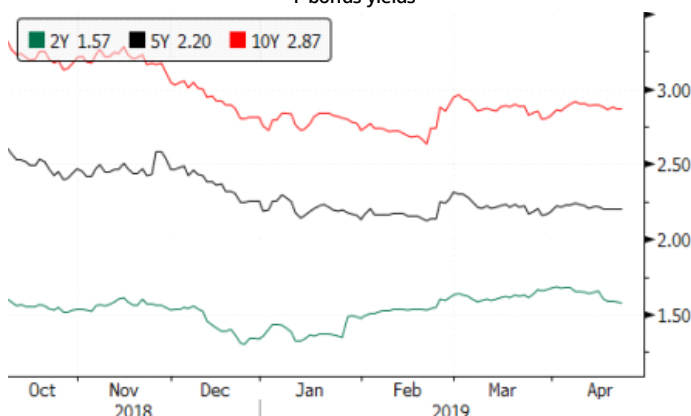
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

Zloty exchange rate



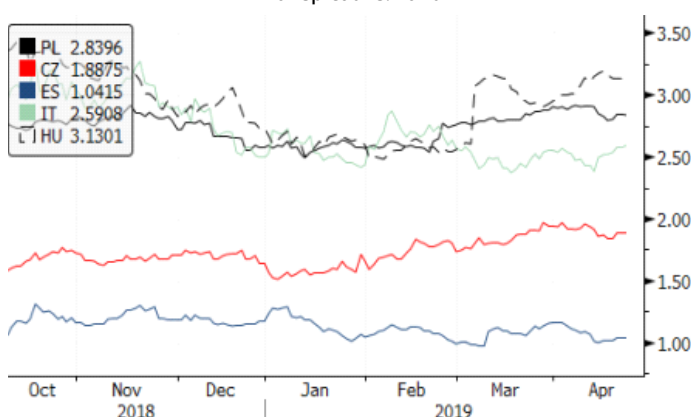
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (19 April)								
14:30	US	Housing Starts	Mar	% m/m	5.8	-	-0.3	-12.0
MONDAY (22 April)								
16:00	US	Existing Home Sales	Mar	% m/m	-3.8	-	-4.9	11.2
TUESDAY (23 April)								
	PL	Central Budget Cumul.	Mar	mn PLN	-	-		-793
10:00	PL	Retail Sales Real	Mar	% y/y	0.0	1.4		5.6
14:00	PL	Money Supply M3	Mar	% y/y	9.6	9.9		9.8
16:00	US	New Home Sales	Mar	% m/m	-3.3	-		4.9
WEDNESDAY (24 April)								
10:00	DE	IFO Business Climate	Apr	pts	99.9	-		99.6
10:00	PL	Construction Output	Mar	% y/y	9.0	10.6		15.1
10:00	PL	Unemployment Rate	Mar	%	5.9	5.9		6.1
THURSDAY (25 April)								
11:00	PL	Bond auction						
14:30	US	Durable Goods Orders	Mar	% m/m	0.5	-		-1.6
14:30	US	Initial Jobless Claims	week	k	205	-		192
FRIDAY (26 April)								
14:30	US	GDP Annualized	1Q	% Q/Q	1.8	-		2.2
16:00	US	Michigan index	Apr	pts	96.9	-		96.9

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

** estimate after inflation data

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>.