

25 April 2019

# Eyeopener

## New industrial orders improved

Poor Ifo pushed core yields down  
 Polish budget in deficit in March  
 Zloty and CEE currencies depreciated  
 Today: regular bonds auction and US data

Wednesday session looked similar to the Tuesday one. Bonds strengthened in the morning and in the afternoon it was the dollar's turn. German Ifo index disappointed. It fell unexpectedly in April, but remained above the February low. This signal is in line with the end of decreases in industrial PMIs (showed in preliminary April report). Market response to PMI and Ifo suggests that there are still fears about the global economy and there is a need for stronger signals to end this. Today Bank of Japan released a post-meeting statement – it kept rates on hold and indicated in its forward guidance that rates stability will last until at least spring 2020.

After March, **the central budget deficit** amounted to PLN4.5bn as compared to PLN3.1bn surplus in the corresponding period of 2018. In March alone the budget posted a deficit of PLN3.7bn, which is markedly higher than in 2017 and 2018 (PLN3.1bn and PLN1.3bn, respectively), but lower than in 2011-2016 on average (PLN5.0bn). In March, VAT and PIT revenues were rather disappointing (-8.5% y/y and -14% y/y, respectively), while CIT revenues expanded at a healthy rate (13% y/y). Total revenues fell in March by 3.5% y/y, while expenditure rose by 5.1% y/y, most considerable growth rates was recorded in categories: EU budget payments (10.9% y/y), debt servicing (7.6% y/y) and transfers to local governments (7.6% y/y). In our view, this year will close with the deficit close to the assumed limit (PLN28.5bn) and amendment will not be necessary.

**Construction output** rose in March by 10.8% y/y, more than the market had expected (9.8%) and than our forecast (10.4%). Civil engineering recorded the largest rise (27.1% y/y), while construction of buildings was lower than a year ago. Average 1Q growth of construction output was 9.7% y/y which is the lowest reading since 2Q17. We assume that there are a couple of strong months for the construction output ahead, but in 2H19 the average pace may drop below 9% y/y. GUS also released quite positive data on the value of industrial new orders for March. The growth of foreign orders rose from 4.4% y/y to 9.6% and total orders grew by 11% y/y (11.9% previously). These are further signs of resilience of the economy to the euro zone slowdown.

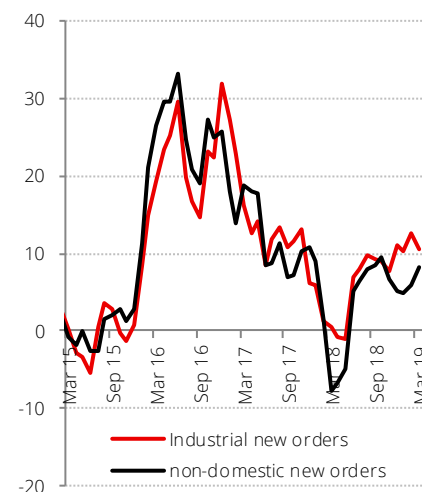
**EURUSD** fell second day in a row and in the evening the exchange rate broke this year's low set in March and reached 1.115. The below-consensus Ifo index did not trigger an imminent decision, the dollar started to appreciate in the afternoon, just like on Tuesday. Today we will see some US data. As of recently, the initial jobless claims data were surprising positively and now the market expects a slight deterioration. We assume that tomorrow's data about advance 1Q GDP could have more impact on the market than today's releases.

**EURPLN** rose fifth session in a row and touched 4.295 intraday amid further dollar appreciation and slight decline of the European stock indexes. USDPLN rebounded to 3.84 from 3.815 and reached the level seen in early April. Today stock indexes rise marginally at the opening which makes room for a pause in the further zloty depreciation (that we expect).

**In case of the other CEE currencies**, the koruna outperformed and resisted the pressure of a weaker zloty, forint and ruble as investors are waiting for the next week's meeting of the Czech central bank (the rate hike in May is still not excluded).

**On the domestic interest rate market** the yields did not change by more than 1bp and the Polish debt did not benefit from the meaningful (5-6bp) strengthening recorded on the core markets. Today the Ministry of Finance will hold a bond auction, planned supply amounts to PLN4-6bn (with more than PLN8bn of OK0419 maturing today) and we expect a strong results. If that is the case, the Polish bonds could catch up the core bonds and gain today after they missed the rally in the previous days.

Value of new orders in industry, %y/y, 3M mov.avg.



Source: GUS, Santander Bank Polska

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.2951 | CZKPLN  | 0.1668 |
| USDPLN | 3.8501 | HUFPLN* | 1.3347 |
| EURUSD | 1.1156 | RUBPLN  | 0.0598 |
| CHFPLN | 3.7721 | NOKPLN  | 0.4456 |
| GBPPLN | 4.9678 | DKKPLN  | 0.5752 |
| USDCNY | 6.7305 | SEKPLN  | 0.4086 |

\*for 100HUF

### Last session in the FX market 24/04/2019

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.282 | 4.297 | 4.284 | 4.296 | 4.2895 |
| USDPLN | 3.814 | 3.851 | 3.820 | 3.850 | 3.8229 |
| EURUSD | 1.116 | 1.123 | 1.121 | 1.116 | -      |

## Interest rate market

24/04/2019

### T-bonds on the interbank market\*\*

| Benchmark (term) | %    | Change (bps) | Last auction | per offer | Average yield |
|------------------|------|--------------|--------------|-----------|---------------|
| PS0421 (2L)      | 1.59 | 0            | 21 mar 19    | OK0521    | 1.633         |
| PS0424 (5L)      | 2.21 | 0            | 21 mar 19    | PS0424    | 2.209         |
| DS1029 (10L)     | 2.88 | -1           | 21 mar 19    | DS1029    | 2.877         |

### IRS on the interbank market\*\*

| Term | PL   |              | US   |              | EZ    |              |
|------|------|--------------|------|--------------|-------|--------------|
|      | %    | Change (bps) | %    | Change (bps) | %     | Change (bps) |
| 1L   | 1.74 | 0            | 2.55 | -3           | -0.23 | 0            |
| 2L   | 1.84 | 0            | 2.42 | -3           | -0.20 | -1           |
| 3L   | 1.90 | -1           | 2.35 | -4           | -0.14 | -2           |
| 4L   | 1.99 | -1           | 2.34 | -4           | -0.07 | -2           |
| 5L   | 2.09 | -1           | 2.35 | -4           | 0.02  | -3           |
| 8L   | 2.31 | -1           | 2.44 | -4           | 0.31  | -4           |
| 10L  | 2.44 | -1           | 2.51 | -4           | 0.49  | -5           |

### WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 1.59 | -1           |
| T/N  | 1.59 | -1           |
| SW   | 1.56 | 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  | 1.74 | 0            |
| 9x12 | 1.76 | 0            |
| 3x9  | 1.79 | 0            |
| 6x12 | 1.82 | 0            |

### Measures of fiscal risk

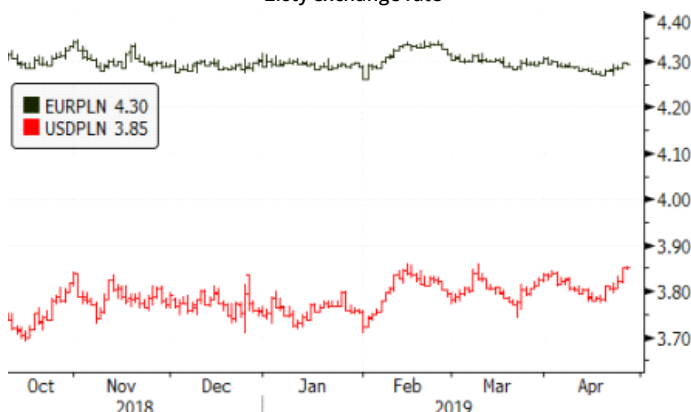
| Country  | CDS 5Y USD Level | Change (bps) | 10Y spread* Level | Change (bps) |
|----------|------------------|--------------|-------------------|--------------|
| Poland   |                  |              | 2.89              | -1           |
| France   | 28               | 1            | 0.36              | 0            |
| Hungary  |                  |              | 3.19              | -3           |
| Spain    | 58               | 1            | 1.08              | 0            |
| Italy    | 199              | 0            | 2.65              | 0            |
| Portugal | 66               | -1           | 1.18              | 0            |
| Ireland  | 33               | 1            | 0.52              | -5           |
| 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



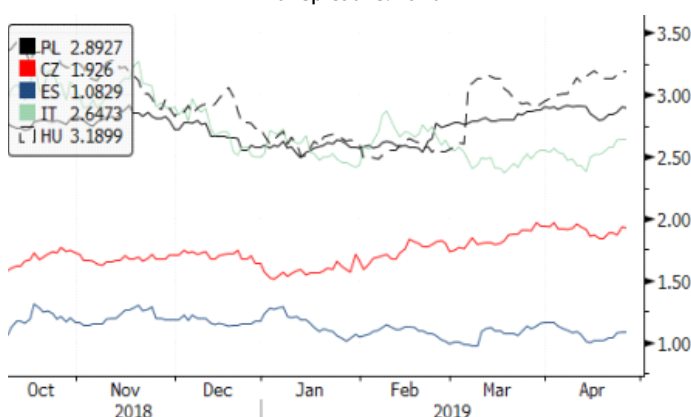
### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

| TIME<br>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)   |         |                        |        |          |           |        |        |       |
| 10:00                | PL      | Retail Sales Real      | Mar    | % y/y    | 2.7       | 1.4    | 1.8    | 5.6   |
| 14:00                | PL      | Money Supply M3        | Mar    | % y/y    | 9.6       | 9.9    | 9.9    | 9.8   |
| 16:00                | US      | New Home Sales         | Mar    | % m/m    | -3.3      | -      | 4.5    | 5.9   |
| WEDNESDAY (24 April) |         |                        |        |          |           |        |        |       |
| 10:00                | DE      | IFO Business Climate   | Apr    | pts      | 99.9      | -      | 99.2   | 99.7  |
| 10:00                | PL      | Construction Output    | Mar    | % y/y    | 9.0       | 10.6   | 10.8   | 15.1  |
| 10:00                | PL      | Unemployment Rate      | Mar    | %        | 5.9       | 5.9    | 5.9    | 6.1   |
| THURSDAY (25 April)  |         |                        |        |          |           |        |        |       |
| 11:00                | PL      | Bond auction           |        |          |           |        |        |       |
| 14:30                | US      | Durable Goods Orders   | Mar    | % m/m    | 0.8       | -      |        | -1.6  |
| 14:30                | US      | Initial Jobless Claims | week   | k        | 200       | -      |        | 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

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