

30 April 2019

# Eyeopener

## Poland CPI may surprise to the upside

Polish and European ESI index disappoint

Better spending but poor incomes of the US consumers

Polish bonds and UST pressured by the US data, dollar weakens

Today Poland and German inflation and flash 1Q euro zone GDP

On Monday, the ESI indicators for the euro zone surprised negatively, with another set of a declining new orders, new export orders and output expectations. In the USA, data about consumer incomes and spending were released and the PCE price index. Incomes were relatively weak, PCE fell to the lowest level in a year, while expenditures were stronger than expected. As a result, the US bond yields rose and the dollar weakened. In Poland, bond yields moved in line with UST while EURPLN remained stable.

**According to ESI indicators for Poland**, in April there was a deterioration of business and consumer sentiment. The main index and most of sectoral ones reached the lowest levels in about two years. Also, indicators of current business activity decreased in industry, construction and services, and especially in the retail trade. Most of inflation indicators went down, only the retail sector price expectations went up as well as consumers' assessment of current price trends. The quarterly part of the ESI survey (for 2Q19) we saw the lowest level of industrial order book indicator since 2013, but at the same time for the eighth straight quarter more businesses signalled insufficient capacity vs the current orders and demand expectations than spare capacity. In the consumer survey the index of plans to buy a house remained at a historically low level, in spite of hitting the highest level since 2010 only three quarters earlier. This round of ESI included the bi-annual investment survey for industry, with still limited appetite for investment outlays in 2019 (indicated real growth was 2% vs. 4% shown in the November survey).

**EURUSD** rose on Monday for a second day in a row and reached the session maximum at 1.119. The depreciation of the dollar started after the release of weak US data. During the Asian session, the sentiment on equity markets worsened somewhat, which may make it more difficult for EURUSD to go higher. Today, the first estimate of euro zone 1Q GDP is due, as well as April US consumer sentiment index.

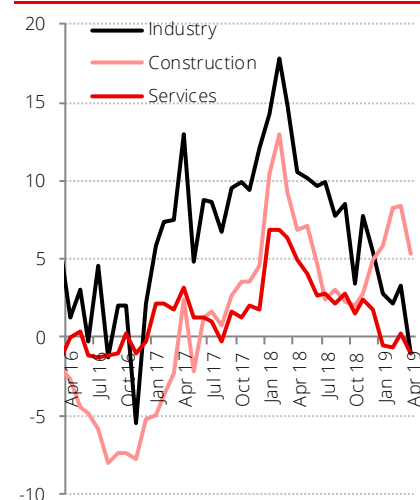
**EURPLN** moved within a narrow range 4.29-4.296, not responding to the ESI release and the mixed data in the USA. USDPLN dropped to 3.834 from 3.85 due to the rise of EURUSD. Our forecast of April CPI is higher than the market consensus and the release could strengthen the zloty, given the recent less dovish remarks from several MPC members. The scale of potential decline of EURPLN will be limited by weak start of equity trading.

**In case of the other CEE currencies**, EURHUF rose to 323.70 from 322.90. EURCZK slid to 25.69 from 25.71 waiting for the interest rates hike, which is expected to be delivered at the Thursday's central bank meeting. USDRUB fell to 64.50 from 64.80, supported by the pause in the oil price drop.

**On the domestic debt market** yields were rising, following the UST yield increases, pushing the yield curve up by 1-3bp. A little bigger move was recorded on the IRS curve which shifted by 3-5bp. German Bunds, which were hovering in the narrow range (1-2bp) and poor ESI did not manage to support the Polish bonds. We forecast Poland CPI reached 2% y/y in April vs 1.7% y/y in March. This release, together with the recently less dovish comments of the Polish MPC members might generate an upside pressure on the rates on the front end of the curve.

**Today in Poland, we will see flash April CPI** that according to our forecasts has further gone up and reached 2% y/y, while the market expects 1.8% y/y. On top of the upward trend in the underlying inflation, we are observing a few new factors, which will now push CPI higher: (1) surge in pork prices; (2) surge in vegetable prices due to low supply (drought in 2018) and very dry weather in April; and (3) spike in fuel prices, gasoline in particular.

### ESI indices of current business activity



Source: European Commission, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.2945	CZKPLN	0.1672
USDPLN	3.8413	HUFPLN*	1.3288
EURUSD	1.1177	RUBPLN	0.0595
CHFPLN	3.7710	NOKPLN	0.4433
GBPPLN	4.9691	DKKPLN	0.5751
USDCNY	6.7379	SEKPLN	0.4036

\*for 100HUF

### Last session in the FX market 29/04/2019

	min	max	open	close	fixing
EURPLN	4.291	4.307	4.301	4.293	4.295
USDPLN	3.838	3.861	3.850	3.839	3.8468
EURUSD	1.114	1.118	1.116	1.118	-

## Interest rate market

29/04/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.61	2	21 mar 19	OK0521	1.633
PS0424 (5L)	2.25	2	21 mar 19	PS0424	2.209
DS1029 (10L)	2.93	3	21 mar 19	DS1029	2.877

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

Term	PL			US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)	
1L	1.76	1	2.54	0	-0.23	0	
2L	1.87	3	2.40	1	-0.19	0	
3L	1.95	3	2.34	2	-0.13	1	
4L	2.04	4	2.33	3	-0.05	1	
5L	2.14	4	2.35	3	0.03	1	
8L	2.36	4	2.45	3	0.32	1	
10L	2.48	4	2.52	3	0.51	1	

### WIBOR rates

Term	%	Change (bps)
O/N	1.58	2
T/N	1.57	1
SW	1.56	0
2W	1.57	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	1.75	0
9x12	1.78	2
3x9	1.79	0
6x12	1.83	1

### Measures of fiscal risk

Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.94	4
France	29	-1	0.36	0
Hungary			3.24	0
Spain	58	-1	1.01	0
Italy	192	0	2.60	2
Portugal	66	-1	1.12	0
Ireland	31	1	0.55	0
Germany	12	0	-	-

\* 10Y treasury bonds over 10Y Bunds

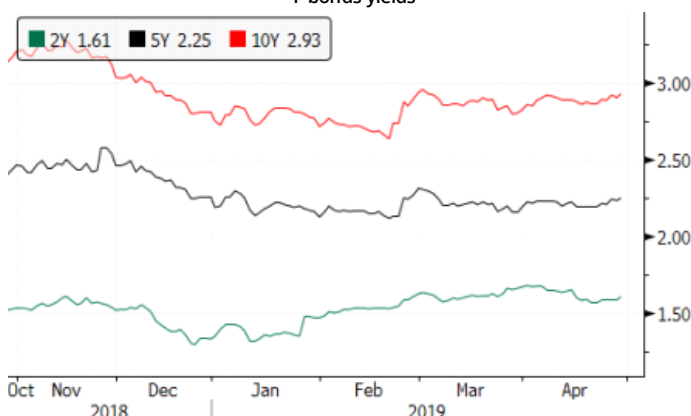
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

### Zloty exchange rate



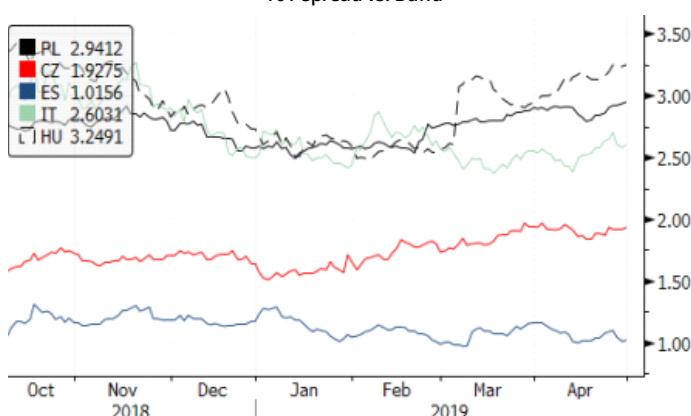
### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (26 April)								
14:30	US	GDP Annualized	1Q	% Q/Q	2.3	-	3.2	2.2
16:00	US	Michigan index	Apr	pts	97.0	-	97.2	96.9
MONDAY (29 April)								
11:00	EZ	ESI	Apr	pct.	105.0	-	104.0	105.5
14:30	US	Personal Spending	Mar	% m/m	0.7	-	0.9	0.1
14:30	US	Personal Income	Mar	% m/m	0.4	-	0.1	0.2
14:30	US	PCE Deflator SA	Mar	% m/m	0.3	-	0.0	-0.1
TUESDAY (30 April)								
10:00	PL	CPI	Apr	% y/y	1.7	2.0		1.7
11:00	EZ	GDP SA	1Q	% y/y	1.0	-		1.2
11:00	EZ	Unemployment Rate	Mar	%	7.8	-		7.8
14:00	HU	Central Bank Rate Decision		%	0.9	-		0.9
14:00	DE	HICP	Apr	% m/m	0.5	-		0.5
16:00	US	Consumer Conference Board	Apr	pts	126.0	-		124.1
16:00	US	Pending Home Sales	Mar	% m/m	1.0	-		-1.0
WEDNESDAY (1 May)								
14:15	US	ADP report	Apr	k	180	-		128
16:00	US	ISM manufacturing	Apr	pts	55.0	-		55.3
20:00	US	FOMC decision		%	2.5	-		2.5
THURSDAY (2 May)								
08:00	DE	Retail Sales	Mar	% m/m	-0.4	-		0.5
09:00	PL	Poland Manufacturing PMI	Apr	pts	48.5	49.2		48.7
09:55	DE	Germany Manufacturing PMI	Apr	pts	44.5	-		44.5
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	47.8	-		47.8
13:00	CZ	Central Bank Rate Decision		%	2.0	-		1.75
14:30	US	Initial Jobless Claims	week	k	200	-		230
16:00	US	Durable Goods Orders	Mar	% m/m	0.8	-		2.7
16:00	US	Factory Orders	Mar	% m/m	1.0	-		-0.5
FRIDAY (3 May)								
11:00	EZ	Flash HICP	Apr	% y/y	1.6	-		1.4
14:30	US	Change in Nonfarm Payrolls	Apr	k	181	-		196
14:30	US	Unemployment Rate	Apr	%	3.8	-		3.8
16:00	US	ISM services	Apr	pts	57.2	-		56.1

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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