

7 May 2019

Eyeopener

Banks getting more cautious

Polish banks tightening credit policies
Eurozone services PMIs slightly above forecasts
Bond yields and EURPLN slightly lower after European data
Today, German factory orders, EC spring economic forecasts

On Monday we got to see PMI in euro zone services, which proved to be higher than expected. European retail sales also surprised to the upside. In Poland, the central bank's credit survey showed a tightening of lending policies in all segments. The commodity market witnessed a rebound in crude oil prices after fall recorded last week. Core bond yields and stock market indices went down after Donald Trump's threats to impose 25% tariff rate on all imports from China. On the FX market EURUSD went up slightly while EURPLN slid.

Quarterly NBP survey of senior loan officers indicated a further tightening of credit policies vs companies in 1Q19. The tightening is expected to continue in 2Q. After two quarters of significantly stricter mortgage loan policy, in 1Q there were no changes in this respect (but some further tightening is planned for 2Q). Consumer credit was also made less available. The credit policy changes were due to: in case of households - expected deterioration of credit portfolio quality on expected worsening of economic conditions; in case of companies - sector-specific risks (expectations about future business conditions were considered neutral for credit policy). In 1Q companies' credit demand did not change much in general (and may weaken in 2Q), but the banks felt a broad rise of demand for working capital, and a moderate rise of demand for investment financing. Household credit demand rose in 1Q and according to the banks will continue to rise in 2Q, mainly due to positive changes in economic situation of households, appetite for durable goods and expectations about the real estate market.

On Monday **EURUSD** climbed to 1.1200 from 1.1180, fuelled by better data from the euro zone. Losses on the stock markets, which typically support the dollar, this time were unable to do so. Data on German manufacturing in March released this morning (slightly below forecasts) also did not undermine the upward trend of EURUSD, so today the rate is likely to stay slightly above 1.12, in our view.

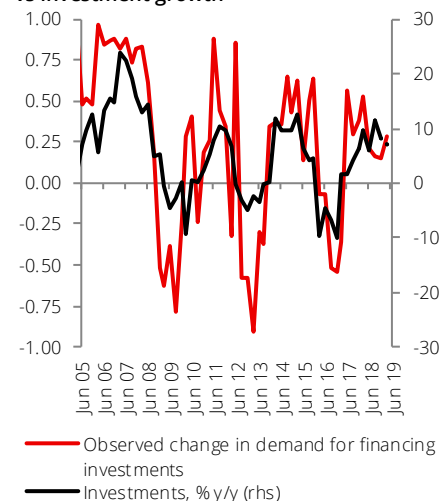
Yesterday **EURPLN** was going down, continuing the Thursday move, and reacting to the euro zone data. Thus, EURPLN fell to 4.2800 from 4.2850. However, this move was not persistent and late in the evening the pair traded back at 4.2840, where it is likely to stay today given lack of new crucial information.

Elsewhere on the **CEE market**, EURHUF rose to 323.7 from 323.2 as the Hungarian march retail sales disappointed slightly (5.9% y/y vs consensus at 6.5% y/y). EURCZK remained stable near 25.71. USDRUB fell to 65.3 from 65.5 as the ruble benefited from rising oil prices. The weaker-than-expected Russian services PMI did not have much impact on the currency.

On the **domestic interest rate market** yields fell 1-2bp in the 5-10Y tenor on Monday amid strengthening recorded on the core markets. However, Polish bonds gained less than its core peers. The IRS rates remained fairly stable as the London market was closed. Today we expect domestic yields to drop slightly thanks to the today's morning German factory orders data that disappointed and still negative sentiment on the equity market.

Today the European Commission will release its spring edition of the updated economic forecasts. Expected pace of GDP growth for Poland is likely to be revised up from 3.5% for 2019 and 3.2% for 2020 anticipated in winter. Even more interesting would be the EC's assessment of Poland's fiscal outlook.

Signals from senior loan officers' survey vs investment growth



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	4.2826	CZKPLN	0.1666
USDPLN	3.8194	HUFPLN*	1.3232
EURUSD	1.1213	RUBPLN	0.0586
CHFPLN	3.7568	NOKPLN	0.4387
GBPPLN	5.0135	DKKPLN	0.5736
USDCNY	6.7640	SEKPLN	0.4000

*for 100HUF

Last session in the FX market 06/05/2019

	min	max	open	close	fixing
EURPLN	4.273	4.293	4.273	4.284	4.2847
USDPLN	3.823	3.845	3.833	3.824	3.8313
EURUSD	1.116	1.121	1.117	1.120	-

Interest rate market 06/05/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.68	0	21 mar 19	OK0521	1.633
PS0424 (5L)	2.35	-2	21 mar 19	PS0424	2.209
DS1029 (10L)	3.01	-2	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	1.76	2.54	-0.23
2L	1.91	2.40	-0.20
3L	2.02	2.33	-0.14
4L	2.13	2.31	-0.06
5L	2.24	2.32	0.03
8L	2.47	2.40	0.32
10L	2.60	2.46	0.51

WIBOR rates

Term	%	Change (bps)
O/N	1.55	-5
T/N	1.55	-5
SW	1.56	0
2W	1.57	-1
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	1.73	0
6x9	1.75	0
9x12	1.78	0
3x9	1.80	0
6x12	1.83	0

Measures of fiscal risk

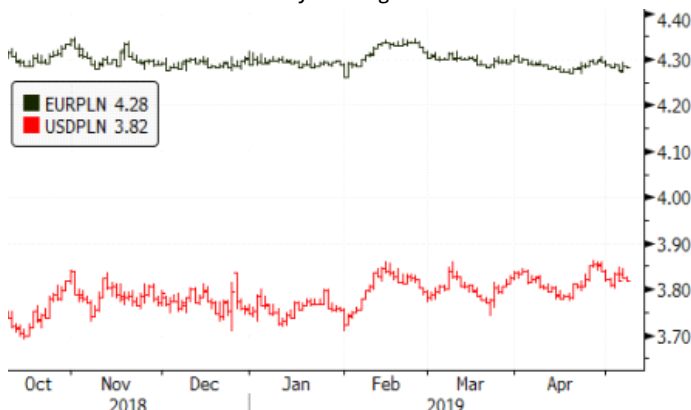
Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.99	-3
France	28	0	0.35	0
Hungary			3.29	-2
Spain	55	-1	0.97	-1
Italy	187	1	2.56	-1
Portugal	61	0	1.11	-1
Ireland	31	0	0.53	0
Germany	12	0	-	-

* 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



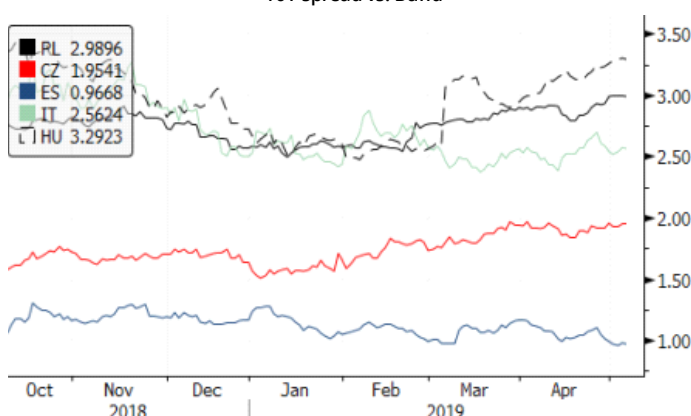
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (3 May)							
11:00	EZ	Flash HICP	Apr	% y/y	1.6	1.7	1.4
14:30	US	Change in Nonfarm Payrolls	Apr	k	190	236	196
14:30	US	Unemployment Rate	Apr	%	3.8	3.6	3.8
16:00	US	ISM services	Apr	pts	57.0	55.5	56.1
MONDAY (6 May)							
03:45	CN	Caixin China PMI Services	Apr	pts	54.5	54.5	54.4
09:55	DE	Markit Germany Services PMI	Apr	pts	55.6	55.7	55.6
10:00	EZ	Eurozone Services PMI	Apr	pts	52.5	52.8	52.5
11:00	EZ	Retail Sales	Mar	% m/m	-0.1	0.0	0.4
TUESDAY (7 May)							
08:00	DE	Factory Orders	Mar	% m/m	1.4	0.6	-4.2
WEDNESDAY (8 May)							
08:00	DE	Industrial Production SA	Mar	% m/m	-0.9	-	0.7
09:00	HU	Industrial Production SA	Mar	% y/y	0.0	-	5.9
THURSDAY (9 May)							
09:00	CZ	Industrial Production	Mar	% y/y	0.0	-	1.5
09:00	HU	CPI	Apr	% y/y	4.1	-	3.7
11:30	PL	Switch Auction					
14:30	US	Initial Jobless Claims		k	215.0	-	230.0
FRIDAY (10 May)							
08:00	DE	Exports SA	Mar	% m/m	0.0	-	-1.2
14:30	US	CPI	Apr	% m/m	0.4	-	0.4

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>.