

7 June 2019

Eyeopener

ECB – higher GDP forecast, but dovish tone

Heads of ECB and Chinese central bank supported the markets

EURPLN stable despite EURUSD moves

Domestic bonds continued to gain

Today US monthly labour market report

ECB meeting and the following press conference were the main event of yesterday. The central bank presented its new GDP and inflation forecasts. 2019 GDP growth forecast went up to 1.2% from 1.1%, but expectations for further years went down, for 2020 to 1.4% from 1.6% and for 2021 to 1.4% from 1.5%. CPI inflation forecast for 2019 went up to 1.3% from 1.2%, for 2020 to 1.4% from 1.5% and for 2021 remained unchanged at 1.6%. The ECB prolonged its forward guidance on flat rates by six months (until mid-20). Message of the statement, the upward revision of forecasts for 2019 and the only slight downward revision for the following years were interpreted by the market players as hawkish. Only during the press conference of the ECB Governor the tone has been softened slightly, as Mario Draghi said that some members of the ECB Board were mulling conditions necessary to renew the rate cuts or the asset purchase programme. He also stressed that the negative risk factors for the growth projections prevail. Positive moods during the Asian session were stemming from the possible delay of US tariffs on Mexico and the Chinese central bank governor's statement about "tremendous scope" for stimulating the economy if trade wars continue. The German data released this morning clearly disappointed: both exports and production showed the worst monthly performance since 2015 (-3.7% m/m and -1.9% m/m, correspondingly).

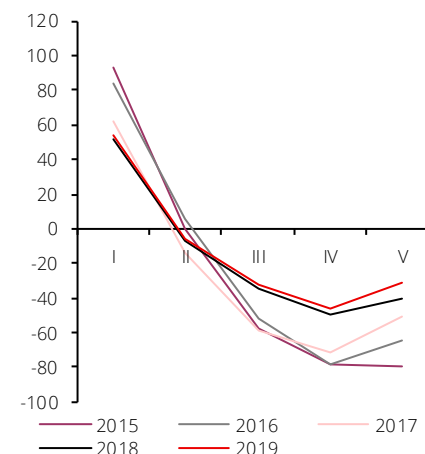
According to the Labour Ministry, the **registered unemployment rate** fell in May to 5.4% from 5.6%, to the lowest level since early 90s. The number of the unemployed is also at all-time low, 907.1k. In monthly terms the number of the unemployed declined by 31.2k, which is the least considerable fall in that period since 1993, despite the positive business climate, which is a sign of the labour market squeeze. We do not rule out that companies may be reducing their employment plans given deteriorating global macro outlook.

EURUSD rose to 1.13 from 1.123 in reaction to the scale and direction of the GDP forecast change by the ECB. During the press conference, however, the correction was recorded as some dovish elements emerged and at the end of the day the exchange rate was close to the opening level. EURUSD has stabilized after a rise seen earlier in the week and the two attempts to break 1.13 were unsuccessful. Today in the afternoon, the US monthly job report will be released. The ADP report disappointed strongly but since then the consensus for the today's release shifted down only slightly. Additionally, yesterday's Challenger report showed a strong rise of job cuts. We think that any attempt to break 1.13 could be unsuccessful before the weekend, particularly in light of the poor German data.

EURPLN was hovering around 4.275 and USDPLN fell to 3.78 only to rebound back to 3.80 driven by EURUSD changes. Yesterday, the zloty underperformed its CEE peers. EURPLN is still close to April bottom at c4.27 and we assume this level will not be tested today.

On the **domestic interest rate market** 5Y and 10Y bond yields fell by c4bp and the respective IRS rates by 1-3bp. Polish debt outperformed the Bund – that was pretty volatile due to the ECB rhetoric – and followed the Treasuries closely. The end of the week could bring a pause in the descent of yields but we do not expect any meaningful correction higher in the coming days. In the afternoon, the US nonfarm payrolls could have some impact.

Monthly change of registered unemployment, Poland (k)



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2749	CZKPLN	0.1667
USDPLN	3.7945	HUFPLN*	1.3323
EURUSD	1.1266	RUBPLN	0.0583
CHFPLN	3.8210	NOKPLN	0.4362
GBPPLN	4.8218	DKKPLN	0.5724
USDCNY	6.9093	SEKPLN	0.4021

*for 100HUF

Last session in the FX market 06/06/2019

	min	max	open	close	fixing
EURPLN	4.274	4.280	4.278	4.275	4.2783
USDPLN	3.782	3.817	3.807	3.785	3.8065
EURUSD	1.120	1.131	1.124	1.129	-

Interest rate market 06/06/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0521 (2L)	1.61	2	21 mar 19	OK0521	1.633
PS0424 (5L)	1.95	-3	21 mar 19	PS0424	2.209
DS1029 (10L)	2.48	-5	21 mar 19	DS1029	2.877

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	1	2.13	-1	-0.28	1
2L	1.75	1	1.90	1	-0.29	1
3L	1.76	-1	1.84	0	-0.25	1
4L	1.80	-1	1.84	0	-0.20	1
5L	1.85	-1	1.87	-1	-0.13	1
8L	2.02	-2	2.00	-2	0.11	0
10L	2.13	-3	2.09	-2	0.28	0

WIBOR rates

Term	%	Change (bps)
O/N	1.59	1
T/N	1.59	0
SW	1.59	0
2W	1.60	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.86	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.72	0
3x6	1.71	0
6x9	1.70	1
9x12	1.69	1
3x9	1.79	1
6x12	1.77	1

Measures of fiscal risk

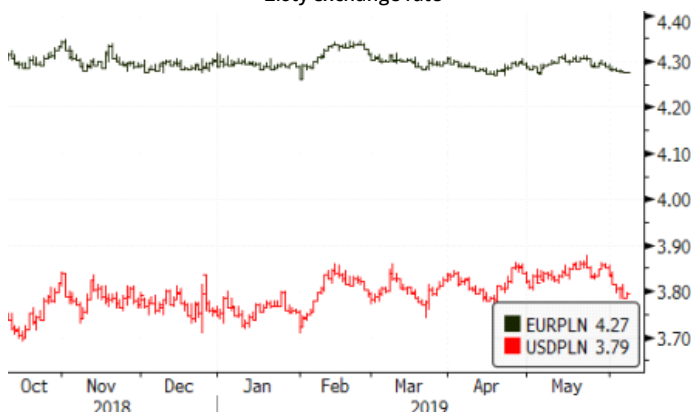
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.72 -5
France	29 -1	0.35 0
Hungary		3.09 -1
Spain	51 -2	0.83 -2
Italy	231 -4	2.69 -4
Portugal	57 -1	0.89 -1
Ireland	30 1	0.54 0
Germany	12 0	- -

* 10Y treasury bonds over 10Y Bunds

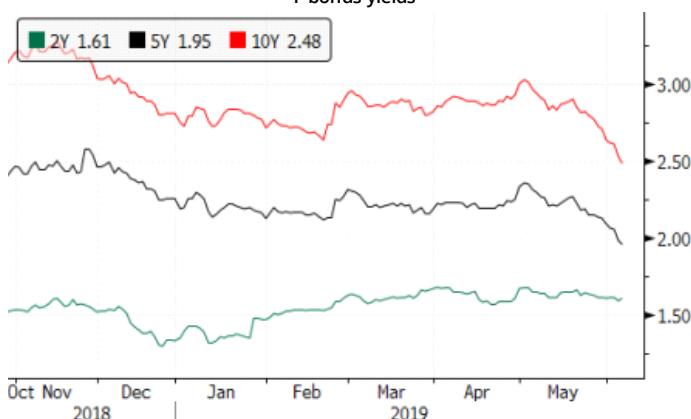
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

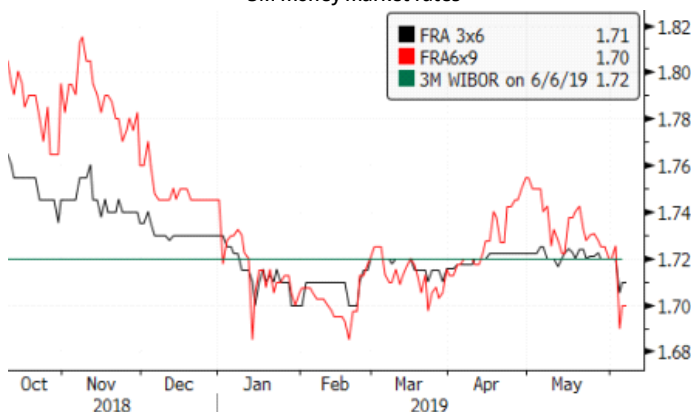
Zloty exchange rate



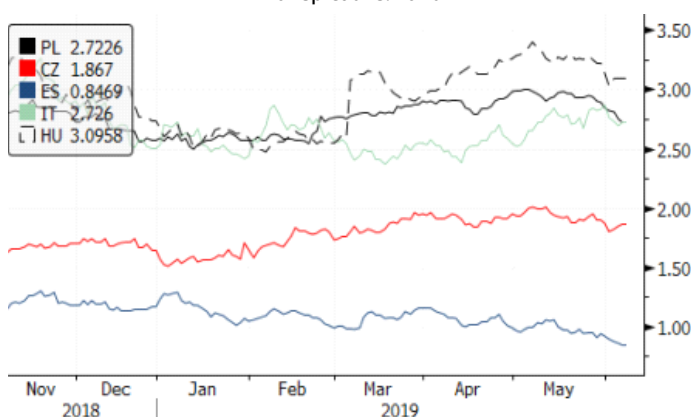
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (31 May)								
08:00	DE	Retail Sales	Apr	% m/m	0.1	-	-2.0	-0.2
09:00	CZ	GDP SA	1Q	% y/y	2.5	-	2.6	2.5
09:00	HU	GDP	1Q	% y/y	5.3	-	5.3	5.3
10:00	PL	GDP	1Q	% y/y	-	4.6	4.7	4.6
14:00	DE	HICP	May	% m/m	0.3	-	0.3	1.0
14:30	US	Personal Spending	Apr	% m/m	0.2	-	0.3	0.9
14:30	US	Personal Income	Apr	% m/m	0.3	-	0.5	0.1
14:30	US	PCE Deflator SA	Apr	% m/m	0.3	-	0.3	0.2
16:00	US	Michigan index	May	pts	101.5	-	100.0	102.4
MONDAY (3 June)								
09:00	PL	Poland Manufacturing PMI	May	pts	49.0	49.4	48.8	49.0
09:55	DE	Germany Manufacturing PMI	May	pts	44.3	-	44.3	44.3
10:00	EZ	Eurozone Manufacturing PMI	May	pts	47.7	-	47.7	47.7
16:00	US	ISM manufacturing	May	pts	53.0	-	52.1	52.8
TUESDAY (4 June)								
10:00	PL	CPI	May	% y/y	2.4	2.4	2.3	2.2
11:00	EZ	Flash HICP	May	% y/y	1.3	-	1,2	1.7
11:00	EZ	Unemployment Rate	Apr	%	7.7	-	7,6	7.7
16:00	US	Durable Goods Orders	Apr	% m/m	0.0	-	-2,1	-2.1
16:00	US	Factory Orders	Apr	% m/m	-1.0	-	-0,8	1.3
WEDNESDAY (5 June)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
03:45	CN	Caixin China PMI Services	May	pts	54.0	-	52,7	54.5
09:55	DE	Markit Germany Services PMI	May	pts	55.0	-	55,4	55.0
10:00	EZ	Eurozone Services PMI	May	pts	52.5	-	52,9	52.5
11:00	EZ	Retail Sales	Apr	% m/m	-0.5	-	-0,4	0.0
14:15	US	ADP report	May	k	185	-	27	271
16:00	US	ISM services	May	pts	55.4	-	56,9	55.5
THURSDAY (6 June)								
08:00	DE	Factory Orders	Apr	% m/m	0.0	-	0.3	0.8
09:00	CZ	Industrial Production	Apr	% y/y	2.7	-	3,3	0.2
09:00	HU	Industrial Production SA	Apr	% y/y	6.8	-	6,0	8.0
11:00	EZ	GDP SA	1Q	% y/y	1.2	-	1,2	1.2
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0,0	0.0
14:30	US	Initial Jobless Claims	week	k	215	-	218	218
FRIDAY (7 June)								
08:00	DE	Exports SA	Apr	% m/m	-0.9	-	-3.7	1.6
08:00	DE	Industrial Production SA	Apr	% m/m	-0.5	-	-1.9	0.5
09:00	HU	CPI	May	% y/y	3.8	-		3.9
14:30	US	Change in Nonfarm Payrolls	May	k	180	-		263
14:30	US	Unemployment Rate	May	%	3.6	-		3.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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