

5 April 2019

Eyeopener

S&P positive about Poland

S&P positively commented Polish fiscal package
Zloty firmed driven by better global mood
Domestic bonds fell, despite the core market uptick
Today US NFP data

On Thursday morning data about German industrial new orders were released, showing a much worse than expected picture of business conditions. In the afternoon we had quite positive US labour market data on jobless claims, offset by a high reading of the job cuts announcements (Challenger report). In general, market sentiment was positive thanks to remarks by Donald Trump about negotiations with China heading in the right direction, confirmed by the Chinese side. The ECB minutes reported some concerns within the Governing Council about the negative effects to financial stability of holding rates very low for long, expressed earlier by Mario Draghi. These changes were accompanied by rising stock indices, limited declines of core market yields and stronger dollar. In Poland there were further discussion on PPK (Employee capital plans to be introduced this summer) and OFE (open pension funds system, which could be dismantled this year), while the prime minister repeated there will be no need to change the budget. Today equity markets opened up higher thanks to the US-China negotiations news and surprisingly strong data from German industry for February.

According to the **Labour Ministry**, in March the registered unemployment rate was 5.9% vs 6.1% in February 2019 and 6.6% in March 2018. The monthly change of the number of the unemployed decreased by 30.7k which is the smallest dropped for March since 2013. The pace of decline of unemployment count is going down, but it does not mean labour demand is weakening.

S&P Global Ratings analyst covering Poland, Frank Gill expressed a view that the announced fiscal package will not push general government deficit above 3% of GDP in 2022. In his opinion Poland has wide scope for fiscal stimulus and the financing side should be easy given the depth of the Polish capital markets. The S&P representative stressed that the package has procyclical nature and is not an optimal policy move. Full report on Poland may be released on 12 April.

EURUSD resumed the down move on Thursday amid weaker-than-expected German industrial orders and positive surprise from the US weekly initial jobless claims. The exchange rate fell to 1.122 from 1.125. Today we expect the euro to gain thanks to the morning German industrial output data.

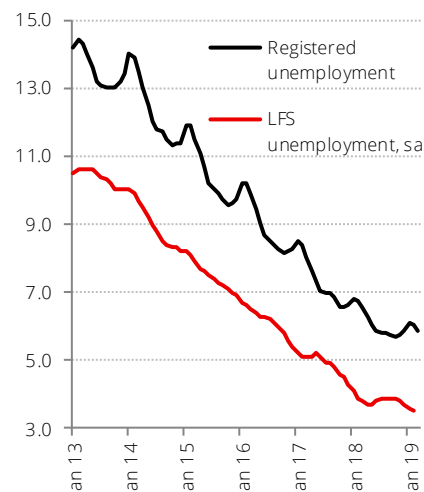
EURPLN continued the down move despite weak German data and reached 4.288 vs 4.294 at the opening. Today we expect slight zloty appreciation amid optimism boosted by Donald Trump comments about the US-China trade talks and morning German data.

On the CEE FX market, EURCZK slumped to 25.67 from 25.72 as the Czech koruna was supported by positive fiscal information for 2018 released on Wednesday. EURHUF was moving in a narrow range around 319.90, given no important data releases. USDRUB climbed to 65.50 from 65.20 despite positive data on car sales and some improvement in consumer confidence.

On the domestic interest rate market, bond yields rose on the middle and the longer end of the curve by 1-2bps, despite some falls in yields on the core markets. IRS curve saq somewhat bigger changes, similarly as on Wednesday. Some negative impact on the longer end of the curve may have stemmed from the switching auction, where the 10Y bond supply was too low to encourage foreign investors. We are expecting the debt to stabilise today.

The **Finance Ministry** bought back OK0419, PS0719, DS1019 and WZ0120 worth PLN4.5bn at the **switching auction**, while it sold OK0521, PS0424, WZ0524, WZ0528 and DS1029 worth PLN4.6bn. Gross financing needs for 2019 are covered in 66% now.

Unemployment rate, %



Source: Bloomberg, Santander

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	4.2897	CZKPLN	0.1671
USDPLN	3.8187	HUFPLN*	1.3403
EURUSD	1.1234	RUBPLN	0.0584
CHFPLN	3.8203	NOKPLN	0.4442
GBPPLN	5.0022	DKKPLN	0.5747
USDCNY	6.7079	SEKPLN	0.4122

*for 100HUF

Last session in the FX market 04/04/2019

	min	max	open	close	fixing
EURPLN	4.287	4.296	4.290	4.289	4.2921
USDPLN	3.813	3.831	3.815	3.823	3.8215
EURUSD	1.121	1.125	1.124	1.122	-

Interest rate market

04/04/2019

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)	2.23	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.90	2	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	1.73	0	2.57
2L	1.79	1	2.44
3L	1.86	2	2.37
4L	1.95	2	2.35
5L	2.04	3	2.36
8L	2.26	4	2.43
10L	2.38	4	2.49

WIBOR rates

Term	%	Change (bps)
O/N	1.54	-1
T/N	1.55	0
SW	1.55	0
2W	1.58	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.82	0
1Y	1.87	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.72	0
3x6	1.72	0
6x9	1.72	0
9x12	1.72	1
3x9	1.79	0
6x12	1.78	0

Measures of fiscal risk

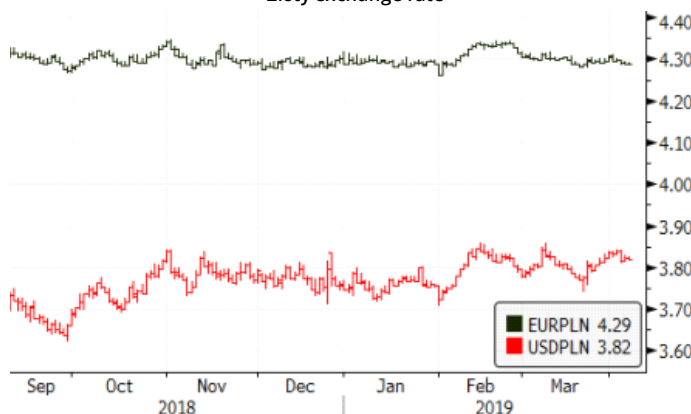
Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.89	0
France	30	1	0.37	0
Hungary			3.01	-1
Spain	63	1	1.11	0
Italy	203	1	2.52	-1
Portugal	72	0	1.26	-1
Ireland	36	1	0.60	0
Germany	13	1	-	-

* 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



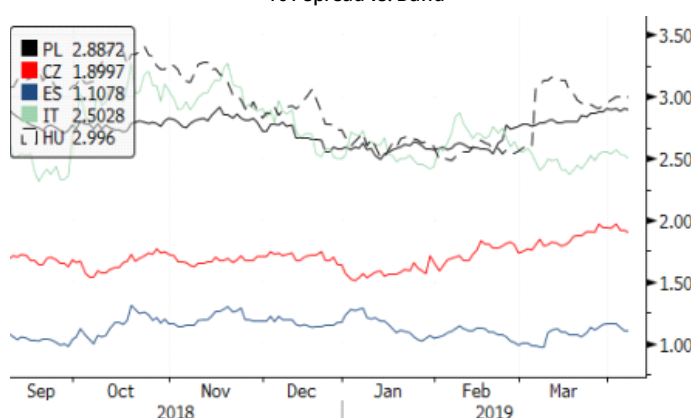
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (29 March)								
	PL	Fitch Rating Review						
08:00	DE	Retail Sales	Feb	% m/m	-0.9	-	0.9	3.3
10:00	PL	CPI	Mar	% y/y	1.6	1.6	1.7	1.2
13:30	US	Personal Spending	Jan	% m/m	0.3	-	0.1	-0.6
13:30	US	Personal Income	Feb	% m/m	0.3	-	0.2	-0.1
13:30	US	PCE Deflator SA	Jan	% m/m	0.0	-	-0.1	0.1
15:00	US	Michigan index	Mar	pts	97.8	-	98.4	97.8
15:00	US	New Home Sales	Feb	% m/m	2.06	-	4.9	8.2
MONDAY (1 April)								
09:00	PL	Poland Manufacturing PMI	Mar	pts	47.32	47.0	48,7	47.6
09:55	DE	Germany Manufacturing PMI	Mar	pts	44.7	-	44,1	44.7
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	47.6	-	47,5	47.6
11:00	EZ	Flash HICP	Mar	% y/y	1.5	-	1,4	1.5
11:00	EZ	Unemployment Rate	Feb	%	7.8	-	7,8	7.8
14:30	US	Retail Sales Advance	Feb	% m/m	0.3	-	-0,2	0.7
16:00	US	ISM manufacturing	Mar	pts	54.3	-	55,3	54.2
TUESDAY (2 April)								
09:00	CZ	GDP SA	4Q	% y/y	2.8	-	2.6	2.8
14:30	US	Durable Goods Orders	Feb	% m/m	-1.8	-	-1.6	0.1
WEDNESDAY (3 April)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
03:45	CN	Caixin China PMI Services	Mar	pts	52.3	-	54.4	51.1
09:55	DE	Markit Germany Services PMI	Mar	pts	54.9	-	55.4	54.9
10:00	EZ	Eurozone Services PMI	Mar	pts	52.7	-	53.3	52.7
11:00	EZ	Retail Sales	Feb	% m/m	0.3	-	0.4	1.3
14:15	US	ADP report	Mar	k	175	-	129	183
16:00	US	ISM services	Mar	pts	58.0	-	56.1	59.7
THURSDAY (4 April)								
08:00	DE	Factory Orders	Feb	% m/m	0.3	-	-4.2	-2.6
14:30	US	Initial Jobless Claims	week	k	220	-	202	212
FRIDAY (5 April)								
08:00	DE	Industrial Production SA	Feb	% m/m	0.5	-	0.7	-0.0
09:00	HU	Industrial Production SA	Feb	% y/y	0.0	-		5.0
14:30	US	Change in Nonfarm Payrolls	Mar	k	175	-		20
14:30	US	Unemployment Rate	Mar	%	3.8	-		3.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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.