



Poland Daily

HEADLINES...

POL: Finance Minister Teresa Czerwinska said that an increase in public spending related to fiscal impulse planned by ruling law and Justice would be absorbed by the current budget for 2019. In her opinion there would be no need for amending 2019 budget. According to estimates by the Finance Ministry extension of 500+ child subsidy programme will cost PLN10bn and bonus transfers to pensioners will cost an additional PLN10bn in 2019. Finance Minister Czerwinska added that tax revenues in 2019 would be higher than envisaged and savings in expenditures of public pension fund FUS were likely that would help funding new social programmes. In our view majority of additional transfers in 2019 will be funded by widening of the budget deficit. Central budget deficit in 2019 was initially envisaged at PLN28.5bn (1.3% of GDP) while general government deficit was planned at 1.7% of GDP. Even if all extra spending (0.9%-1.0% of GDP) is funded by widening of budget deficit, both central government and general government deficits will be still below 3% of GDP threshold in 2019.

THE DAY AHEAD...

EMU: Money supply M3 (Jan), Consumer confidence (Jan)

USA: Trade balance (Dec), Factory orders (Dec), Durable goods orders (Dec)

TODAY'S FOCUS:

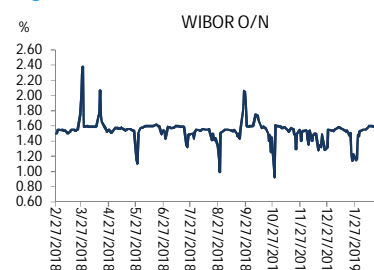
Today market participants will be focusing on money supply from euro-zone and US factory orders and durable goods orders.

DIARY (Today)

| Country | GMT | Release | DB Expected | Actual | Consensus |
|---------|-------|----------------------------|-------------|--------|-----------|
| EMU | 9:00 | Consumer confidence (Feb) | 106.1 | | 106.0 |
| EMU | 9:00 | Money supply M3 (Jan) | (4,0%) | | (4,0%) |
| USA | 14:00 | Factory orders (Dec) | 0,8% | | 0,6% |
| USA | 14:00 | Durable goods orders (Dec) | | | |

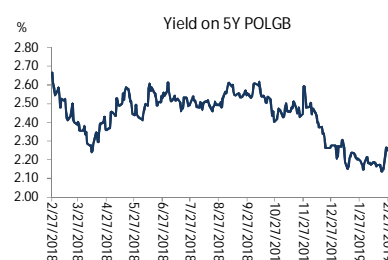
Source: Deutsche Bank Estimates and Bloomberg Finance LP

Figure 1: WIBOR O/N



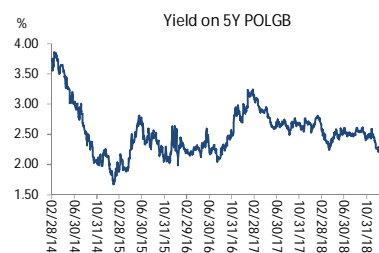
Source: Bloomberg

Figure 2: Yield on 5Y POLGB



Source: Bloomberg

Figure 3: Yield on 5Y POLGB – long term trend



Source: Bloomberg



Foreign Exchange

Today in the morning the zloty was 0.6% firmer versus the USD and was 0.3% firmer versus the EUR compared to the last NBP fixing. The zloty firmed as yields on POLGBs stabilised. Today the zloty should be moving within a range of PLN4.3000-4.3380 per EUR.

The USD weakened versus G-10 currencies as Fed Chairman Powell said that monetary policy would be cautious signalling a neutral stance in US monetary policy.

Fixed Income

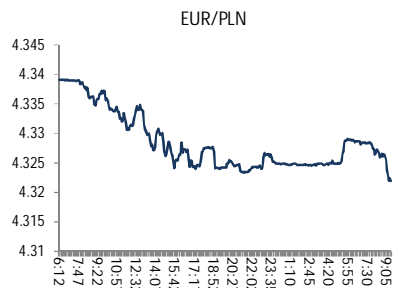
The yields on Poland's government bonds stabilised after sell-off triggered by announcement of significant extension of social spending in 2019 in Poland.

Interest Rates

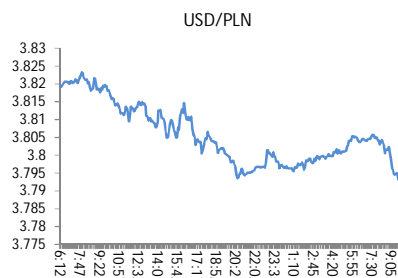
Today the O/N bid rate should be within a range of 0.90%-1.15%. Swap rates were 1bps down in 5-year and 10-year sectors.

Equities

Yesterday the Dow Jones index closed 0.13% down and the S&P 500 index decreased by 0.08%. Today in the morning the FTSE index was 0.68% down, the CAC 40 index was 0.32% down and the DAX index was 0.54% down. Today the Nikkei index rose by 0.50%. Today in the morning the WIG20 index fell by 0.36% and the WIG index was 0.16% down.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Polish local market data 27 February 2019 (7:30 GMT)

| Currency (mid) | Today | Last fixing | Change | USD/PLN | | | EUR/PLN | | |
|----------------|--------------|-------------|--------|-----------|-----------------|--------------|---------------|-----------------|--------------|
| | | | | forwards | bid | offer | forwards | bid | offer |
| USD/PLN | 3.7920 | 3.8124 | -0.5% | SPOT | 3.7915 | 3.7925 | SPOT | 4.3200 | 4.3209 |
| EUR/PLN | 4.3205 | 4.3338 | -0.3% | S/N | 3.7911 | 3.7922 | S/N | 4.3206 | 4.3216 |
| GBP/PLN | 5.0361 | 5.0259 | 0.2% | 1W | 3.7906 | 3.7917 | 1W | 4.3215 | 4.3225 |
| CHF/PLN | 3.8010 | 3.8145 | -0.4% | 1M | 3.7878 | 3.7890 | 1M | 4.3270 | 4.3282 |
| SEK/PLN | 0.4093 | 0.4091 | 0.0% | 2M | 3.7842 | 3.7854 | 2M | 4.3340 | 4.3353 |
| NOK/PLN | 0.4436 | 0.4432 | 0.1% | 3M | 3.7805 | 3.7819 | 3M | 4.3413 | 4.3427 |
| DKK/PLN | 0.5790 | 0.5808 | -0.3% | 6M | 3.7698 | 3.7718 | 6M | 4.3620 | 4.3646 |
| CAD/PLN | 2.8817 | 2.8870 | -0.2% | 12M | 3.7493 | 3.7523 | 12M | 4.4050 | 4.4088 |
| CZK/PLN | 0.1685 | 0.1689 | -0.2% | | | | | | |
| | | | | WIBOR | Last fixing | 1-day change | T-bills (mid) | Today's opening | 1-day change |
| EUR/USD | 1.1394 | 1.1368 | 0.2% | O/N | 1.27 % | -26 bp | | | |
| USD/JPY | 110.42 | 110.84 | -0.4% | 1W | 1.54 % | -1 bp | | | |
| GBP/USD | 1.3281 | 1.3183 | 0.7% | 1M | 1.64 % | 0 bp | 1M | | |
| USD/CHF | 0.9977 | 0.9994 | -0.2% | 3M | 1.72 % | 0 bp | 3M | % | bp |
| EUR/JPY | 125.81 | 126.00 | -0.2% | 6M | 1.79 % | 0 bp | 6M | % | bp |
| EUR/GBP | 0.8579 | 0.8623 | -0.5% | 9M | 1.82 % | 0 bp | 9M | % | bp |
| USD/CAD | 1.3160 | 1.3205 | -0.3% | 12M | 1.87 % | 0 bp | 12M | % | bp |
| FRAs (mid) | Last closing | | | IRS (mid) | Today's opening | 1-day change | T-Bonds (mid) | Today's opening | 1-day change |
| 1X2 | 1.64 | 1X7 | 1.79 | 2Y | 1.79 % | 0 bp | 2Y | 1.62 % | 0 bp |
| 2X3 | 1.64 | 3X9 | 1.79 | 5Y | 2.04 % | -1 bp | 5Y | 2.26 % | 0 bp |
| 1X4 | 1.72 | 6X12 | 1.78 | 10Y | 2.39 % | -1 bp | 10Y | 2.88 % | 0 bp |
| 3X6 | 1.72 | | | 5Y-2Y | 25 bp | -1 bp | | | |
| 6X9 | 1.72 | | | 10Y-5Y | 35 bp | 0 bp | | | |
| 9X12 | 1.71 | | | 10Y-2Y | 60 bp | -1 bp | | | |



Appendix 1

Important Disclosures

Additional information available upon request

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