

27 February 2020

# Eyeopener

## Attempt to stabilise stock exchanges

Slower declines of major stock indexes  
Zloty and other CEE fx weaker again  
Domestic bonds gained significantly, core markets little changed  
Today European ESI indicators and US data

On Wednesday, after the biggest 2-day fall since 2016, equity markets started the day from further declines as the number of coronavirus cases outside China increased. However during the day after news came out that Germany is debating suspension of constitutional limits on public debt increase, stock exchanges indices made up early hours losses and some of them – e.g Italian one – even turned green (+1.3%). Core market yields declines paused for a while – US 10Y bond closed the day almost unchanged at 1.36%, while that of the Bund moved up 3bp to -0.48%. Emerging market currencies depreciation momentum ceased and the currencies had a calm day – absolute values of daily price changes were lower than 0.5pp. Energy commodities declined – Brent by further 1.2% to US\$54.3/bbl. Gold also corrected lower by 0.8%. In the US strong data again – January new home sales significantly above expectations 764k vs 718k with positive revisions up 14k to 708k for the previous period. It was the highest reading in 12.5 years. In France, the February consumer confidence index rose marginally to 104 from 103 pts.

The minister for infrastructure announced **an additional rise in fuel surcharge** effective from 1 March. Let us remind that in January this tax went up by 4% for petrol, 2.9% for oil and by 3.6% for gas. The March hike adds additionally 12.3% for petrol, 5.5% for oil and 10.0% for gas. According to our estimates, this will add 0.5% to average fuel prices and 0.025 pp to CPI inflation.

**Local governments** ended 2019 with deficit at PLN1.7bn (vs PLN7.3bn deficit in 2018). This reading is more or less in line with our expectations and means that the General Government deficit in 2019 could be close to the result recorded in 2018 (0.2% of GDP). Local governments' investment outlays fell by 10.7% y/y in nominal terms in 4Q19, posting the weakest result since 2016. Such a weak outcome raises questions about acceleration in total investment in 4Q19, which was suggested by data on GDP growth in entire 2019. We will get to know the detailed GDP data for 4Q19 on Friday.

**EURUSD** opened in Asia at 1.088 and after an interesting session, where it had breached 1.09, it finished lower, at c1.086. Interestingly, the options markets (the whole surface up to and including 1Y) again expect weaker dollar. We think the correction may take place, but the fx pair should not entrench above 1.09 (albeit it spent the night above the level), and a return towards 1.06 is likely.

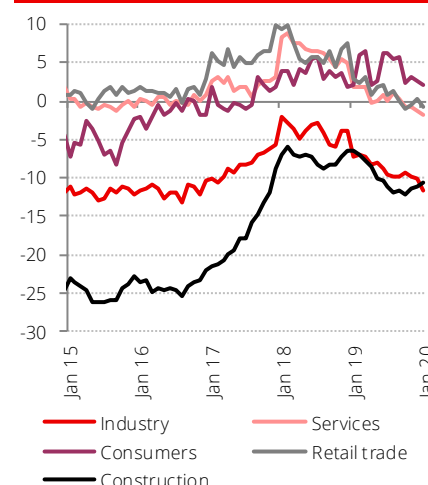
**EURPLN** increased for another day. The move weaker in PLN vs euro counting since Friday, 14 February totals 1.6%. First time for long, the FX options became noticeably more expensive. In the short term – if the currency pair does not settle above 4.31 the likelihood of correction lower to 4.28 increases. However the Asian session showed that there is still room for further weakness in the emerging market currencies globally. The USDPLN closed at 3.97, CHFPLN at 4.064 while GBPPLN at 5.13.

As to the **other emerging market currencies** the EURHUF gained 0.3% to 339.30. The move was supported by worse than expected wages data, however the main reason for the move was probably global sentiment, as EURCZK behaved in a similar fashion – also increased by 0.3% to 25.35 and this despite the lack of economic data. Since the start of the move in the first half of the February, EURCZK gained already 2.0%. USDRUB remained unchanged despite cheapening oil, no important data in Russia either.

On the **domestic interest rate market**, yields fell for another day in a row – the swap curve went down by 6-7 bp (5Y rate ended the day at 1.57% vs 1.63% on the previous day), while the bond curve remained stable on the shorter end and went down on the longer end – 10Y bond concluded the day at 1.88%. Behaviour of the curve was not following the core markets, where yields were stable or went up a bit, e.g. 10Y Bund climbed by 3bp to -0.48% and UST by 1bp to 1.36%. At the same time, Polish yield versus Bund narrowed by 8bp to 237bp.

**Today** we will get to see ESI indicators for the euro zone, US GDP revision for 4Q19, industrial orders and new housing market data.

ESI, sectoral business sentiment indicators for Poland



Source: European Commission, Santander

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## FX market

### Today's opening

EURPLN	4.3175	CZKPLN	0.1703
USDPLN	3.9557	HUFPLN*	1.2707
EURUSD	1.0914	RUBPLN	0.0604
CHFPLN	4.0613	NOKPLN	0.4214
GBPPLN	5.1103	DKKPLN	0.5778
USDCNY	7.0112	SEKPLN	0.4079

\*for 100HUF

### Last session in the FX market 26/02/2020

	min	max	open	close	fixing
EURPLN	4.303	4.315	4.303	4.314	4.3093
USDPLN	3.950	3.971	3.954	3.965	3.9573
EURUSD	1.086	1.091	1.088	1.088	-

## Interest rate market 26/02/2020

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0422 (2L)	1.48	0	21 mar 19	OK0521	1.633
PS1024 (5L)	1.61	-1	21 mar 19	PS0424	2.209
DS1029 (10L)	1.86	-3	21 mar 19	DS1029	2.877

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

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.67	-2	1.37	-2	-0.40	-1
2L	1.63	-4	1.21	0	-0.41	0
3L	1.57	-4	1.16	1	-0.40	0
4L	1.55	-4	1.15	2	-0.37	0
5L	1.56	-4	1.16	2	-0.34	1
8L	1.57	-4	1.23	2	-0.22	2
10L	1.59	-5	1.28	2	-0.13	2

## WIBOR rates

Term	%	Change (bps)
O/N	1.52	0
T/N	1.52	0
SW	1.54	0
2W	1.58	0
1M	1.63	0
3M	1.71	0
6M	1.79	0
9M	1.80	0
1Y	1.84	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.71	0
3x6	1.68	-1
6x9	1.64	-2
9x12	1.58	-6
3x9	1.76	-2
6x12	1.70	-3

## Measures of fiscal risk

Measures of riskiness				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.37	-3
France	16	2	0.27	0
Hungary			2.70	1
Spain	39	-1	0.75	-1
Italy	117	3	1.52	2
Portugal	34	1	0.77	0
Ireland	21	1	0.33	0
Germany	10	-1	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

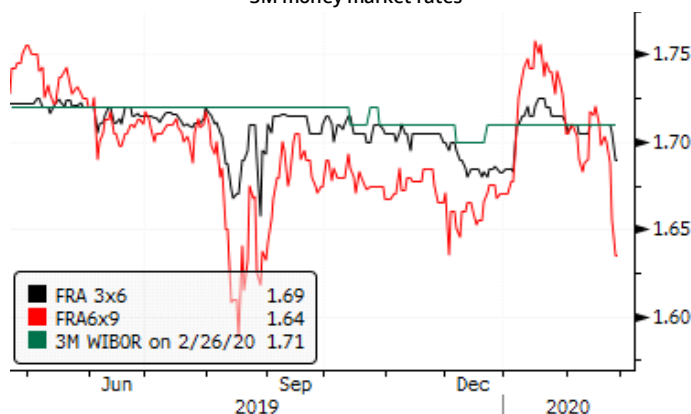
## Zloty exchange rate



## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (21 February)								
09:30	DE	Flash Manufacturing PMI	Feb	pts	44.8	-	47.8	45.3
09:30	DE	Flash Services PMI	Feb	pts	53.8	-	53.3	54.2
10:00	EZ	Flash Manufacturing PMI	Feb	pts	47.4	-	49.1	47.9
10:00	EZ	Flash Services PMI	Feb	pts	52.3	-	52.8	52.5
10:00	PL	Construction Output	Jan	% y/y	-3.6	-4.0	6.5	-3.3
10:00	PL	Retail Sales Real	Jan	% y/y	4.1	4.5	3.4	5.7
11:00	EZ	HICP	Jan	% y/y	1.4	-	1.4	1.3
16:00	US	Existing Home Sales	Jan	% m/m	-1.8	-	-1.3	3.9
MONDAY (24 February)								
10:00	DE	IFO Business Climate	Feb	pts	95.3	-	96.1	96.0
14:00	PL	Money Supply M3	Jan	% y/y	8.8	9.0	9.3	8.3
TUESDAY (25 February)								
08:00	DE	GDP WDA	4Q	% y/y	0.4	-	0.4	0.4
10:00	PL	Unemployment Rate	Jan	%	5.5	5.5	5.5	5.2
14:00	HU	Central Bank Rate Decision		%	0.90	-	0.9	0.90
16:00	US	Consumer Conference Board	Feb	pts	132.1	-	130.7	131.6
WEDNESDAY (26 February)								
16:00	US	New Home Sales	Jan	% m/m	3,5	-	7,9	2,3
THURSDAY (27 February)								
11:00	EZ	ESI	Feb	pct.	102.4	-		102.8
14:30	US	Durable Goods Orders	Jan	% m/m	-1.5	-		2.4
14:30	US	GDP Annualized	4Q	% q/q	2.2	-		2.1
14:30	US	Initial Jobless Claims	week	k	211	-		210
16:00	US	Pending Home Sales	Jan	% m/m	2.0	-		-4.9
FRIDAY (28 February)								
09:00	HU	GDP	4Q	% y/y	4.5	-		4.5
10:00	PL	GDP	4Q	% y/y	3.1	3.1		3.9
10:00	PL	Private consumption	4Q	% y/y	-	3.5		3.9
10:00	PL	Investments	4Q	% y/y	-	7.3		4.7
14:00	DE	HICP	Feb	% m/m	0.4	-		-0.8
14:30	US	Personal Spending	Jan	% m/m	0.3	-		0.3
14:30	US	Personal Income	Jan	% m/m	0.3	-		0.2
14:30	US	PCE Deflator SA	Jan	% m/m	0.1	-		0.3
16:00	US	Michigan index	Feb	pts	100.6	-		100.9

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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