

3 March 2020

Eyeopener

OECD cut global growth forecast

Fragile optimism after central banks' interventions
 Polish PMI above expectations but details not so optimistic
 EURPLN depending on global mood swings
 Polish bond yields at all-time lows
 Today Czech GDP, flash euro zone HICP, G7 conference

The optimism which showed up at the start of the week on hopes of a response by central banks to support the economies struggling with the coronavirus, proved temporary. Although during the Monday session the vice-governor of the ECB spoke in a similar tone to the Friday statement of Jerome Powell, stock indexes lost their morning gains, bond yields saw a further decline and most of EM currencies lost vs the euro, which in turn gained vs the dollar. Yesterday data from the USA were slightly worse than expected – after a surprising return above 50 pts in January, in February the ISM for manufacturing was only marginally above this mark. It seems that the pricing of Fed rate cuts – the USA has the most room for such action due to the previous rate hikes, it seems – is the main reason behind the depreciation of the dollar.

Today the finance ministers and central bankers of G7 countries are to take part in a call to discuss a coordinated response to the epidemic, which is positively influencing the market sentiment. Today it is the Super Tuesday in the USA – the day when there are primary elections in many states and which often shows who is the leading candidate for the presidential election.

PMI for Polish manufacturing rose in Feb to 48.2 pts from 47.4, mainly due to longer delivery times on coronavirus-linked supply chain disruptions – so not really a sign of improvement. Output and new orders improved a bit m/m, but are still below 50 mark. The expected level of activity was corrected lower and employment index declined. There is clear evidence the virus has started to affect business conditions.

OECD estimated that the epidemic may decrease global economic growth in 2020 by 0.5 percentage points and reviewed its forecast to 2.4%, adding that in 1Q the GDP may fall. In 2021, there could be a rebound to 3.3% (revised from 3%). The expected 2020 growth in the Eurozone was decreased to 0.8% from 1.1% and the forecast for 2021 was kept at 1.2%. The scenario assumes that the peak of the epidemic will be in 1Q and that its development outside China will be mild. OECD thinks that if the epidemic spreads to all key areas of global economy then the loss of growth could be 1.4 pp.

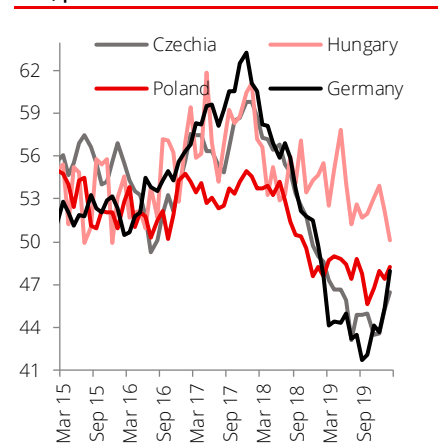
EURUSD recorded large daily rise, similar to one seen on Thursday and was close to 1.114 at the end of the day. Earlier, the exchange rate reached 1.116, its highest since mid-January. The dollar has been under pressure of the market pricing that the Fed will lead the monetary policy easing race. US FRA market prices in nearly whole 50bp rate cut as soon as on March 18.

EURPLN fell to 4.31 at the beginning of the day but as the global market mood was deteriorating during the day, the exchange rate was rising back to 4.33 at the opening. USDPLN fell slightly thanks to rising EURUSD. We think EURPLN might near the upper end of the 4.25-4.35 in which it has been holding for most of the time since mid-2018 but we do not expect this level to be broken.

Among the other CEE currencies, the forint again recorded the highest daily change not only in our region but also among its EM peers. EURCZK continued the rise and the exchange rate neared 25.6 and set its fresh YTD high. USDRUB remained at an elevated level slightly below Friday's peak of 67.64.

On the domestic interest rate market yields resumed the down move after a Friday's pause and yesterday the bond curve shifted 15-20bp down. As a result, the 2Y, 5Y and 10Y benchmark yields reached their fresh all-time lows. On the core debt market the scale of move was smaller and this again helped the PL-DE yield spread to narrow.

PMI, pts



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.3214	CZKPLN	0.1701
USDPLN	3.8988	HUFPLN*	1.2800
EURUSD	1.1074	RUBPLN	0.0588
CHFPLN	4.0426	NOKPLN	0.4180
GBPPLN	4.9975	DKKPLN	0.5778
USDCNY	6.9643	SEKPLN	0.4091

*for 100HUF

Last session in the FX market 02/03/2020

	min	max	open	close	fixing
EURPLN	4.308	4.336	4.331	4.329	4.3355
USDPLN	3.863	3.935	3.928	3.873	3.9255
EURUSD	1.100	1.119	1.101	1.118	-

Interest rate market 02/03/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0422 (2L)	1.25	-17	21 mar 19	OK0521	1.633
PS1024 (5L)	1.40	-14	21 mar 19	PS0424	2.209
DS1029 (10L)	1.64	-14	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	1.39	-14	0.99	-15	-0.45	-3
2L	1.28	-13	0.89	-9	-0.47	-4
3L	1.25	-11	0.88	-7	-0.46	-4
4L	1.26	-11	0.90	-6	-0.44	-4
5L	1.27	-11	0.93	-5	-0.41	-3
8L	1.33	-7	1.01	-4	-0.29	-3
10L	1.35	-9	1.07	-4	-0.20	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.53	0
T/N	1.54	0
SW	1.54	0
2W	1.58	0
1M	1.63	0
3M	1.71	0
6M	1.77	-1
9M	1.80	0
1Y	1.82	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.59	-9
3x6	1.44	-13
6x9	1.21	-22
9x12	1.04	-31
3x9	1.50	-10
6x12	1.26	-20

Measures of fiscal risk

Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.26 -14
France	18 1	0.32 0
Hungary		2.66 -1
Spain	48 3	0.89 -2
Italy	152 9	1.69 -7
Portugal	47 4	0.96 -2
Ireland	24 -1	0.43 0
Germany	9 1	- -

* 10Y treasury bonds over 10Y Bunds

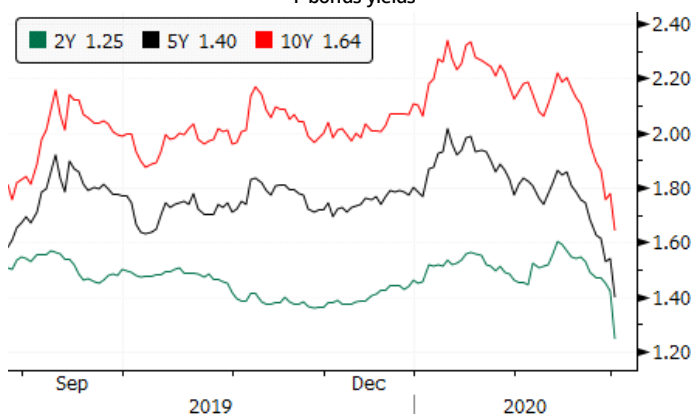
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

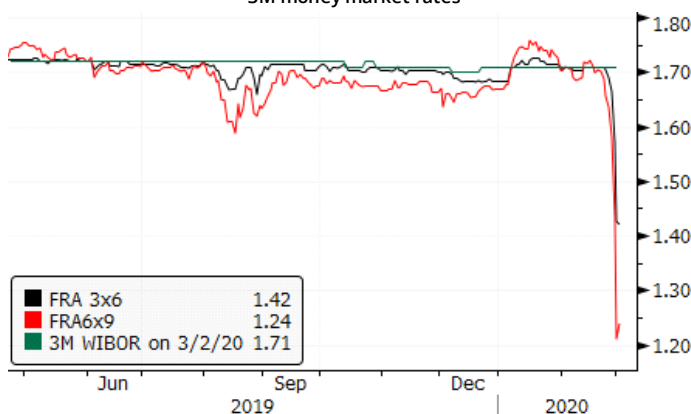
Zloty exchange rate



T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER		
CET						VALUE	VALUE*
FRIDAY (28 February)							
09:00	HU	GDP	4Q % y/y	4.5		4.5	4.5
10:00	PL	GDP	4Q % y/y	3.1	3.1	3.2	3.1
10:00	PL	Private consumption	4Q % y/y	-	3.5	3.3	3.9
10:00	PL	Investments	4Q % y/y	-	7.3	4.9	4.7
14:00	DE	HICP	Feb % m/m	0.4	-	0.4	-0.8
14:30	US	Personal Spending	Jan % m/m	0.3	-	0.2	0.4
14:30	US	Personal Income	Jan % m/m	0.4	-	0.6	0.1
14:30	US	PCE Deflator SA	Jan % m/m	0.2	-	0.1	0.3
16:00	US	Michigan index	Feb pts	100.65	-		100.9
MONDAY (2 March)							
09:00	PL	Poland Manufacturing PMI	Feb pts	48.0	46.8	48.2	47.4
09:55	DE	Germany Manufacturing PMI	Feb pts	47.8	-	48.0	45.3
10:00	EZ	Eurozone Manufacturing PMI	Feb pts	49.1	-	49.2	47.9
16:00	US	ISM manufacturing	Feb pts	50.5	-	50.1	50.9
TUESDAY (3 March)							
09:00	CZ	GDP SA	4Q % y/y	1.7	-	1.8	1.7
11:00	EZ	Flash HICP	Feb % y/y	1.2	-		1.4
11:00	EZ	Unemployment Rate	Jan %	7.4	-		7.4
WEDNESDAY (4 March)							
	PL	MPC decision	%	1.50	1.50		1.50
02:45	CN	Caixin China PMI Services	Feb pts	48.0	-		51.8
09:55	DE	Markit Germany Services PMI	Feb pts	53.3	-		53.3
10:00	EZ	Eurozone Services PMI	Feb pts	52.8	-		52.8
11:00	EZ	Retail Sales	Jan % m/m	0.5	-		-1.6
14:15	US	ADP report	Feb k	170	-		291
16:00	US	ISM services	Feb pts	55.5	-		55.5
THURSDAY (5 March)							
14:30	US	Initial Jobless Claims	week k	212	-		219
16:00	US	Durable Goods Orders	Jan % m/m	-1.4	-		-0.2
16:00	US	Factory Orders	Jan % m/m	-0.4	-		1.8
FRIDAY (6 March)							
08:00	DE	Factory Orders	Jan % m/m	1.5	-		-2.1
09:00	HU	Industrial Production SA	Jan % y/y	0.0	-		-3.66
14:30	US	Change in Nonfarm Payrolls	Feb k	195	-		225
14:30	US	Unemployment Rate	Feb %	3.5	-		3.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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