

6 March 2020

Eyeopener

Return of risk aversion

Global market sentiment still unstable
Zloty somewhat weaker, EURUSD elevated
Yields fell less in Poland than on core markets
Today monthly data from US labour market

The declaration of state of emergency for California due to the C-virus again brought the worries about economic results of epidemic to the fore. Stock markets in Europe gave away they Wednesday rises fuelled by news from the US political stage. US equities also dropped, with the daily loss of the main S&P index reaching c4%. Return of the risk aversion supported bonds (US 10Y and 30Y bond yields reached all-time lows), while most EM currencies lost. The risk of lower economic activity weighed on the oil price as well. Main European and US stock indices are above multi-month low reached in February, but it seems that rate cuts implemented in the USA, Canada and Australia were not enough to spark a persistent and significant rebound. The uncertainty about SAR-CoV-2's impact on the economic growth is likely to stay until there is a coordinated government action to support companies struggling with supply chain breaks. On Wednesday EU finance ministers held a teleconference on possible reactions to curb the economic impact of the virus. Talks are to be resumed in mid-March. Today in the morning we got to see a positive piece of information: new orders in German industry rose by 5.5% m/m, improving the annual growth rate to -1.4% from -8.9%. This is January data, so the virus effect is not reflected yet. While dynamics of infections is declining in South Korea, it is increasing, inter alia, in Italy, Germany and the USA.

The Labour Ministry informed that the registered **unemployment rate** remained at 5.5% in February. The jobless count fell by 1.2k m/m, i.e. less considerably than in the same month of the years 2017-2019. We are expecting the unemployment rate to slide slightly below 5% in the summer.

EURUSD rebounded after the Wednesday fall, reached 1.12 at the end of the day and then climbed to 1.123, setting the new year-to-date maximum, above February's top at 1.121. From a broader point of view, the exchange rate has been climbing rapidly for the second week in a row. The two-week change indicates it was the quickest upward move since 1Q2016. At that time, the rate was declining mildly in following weeks after those marked rises. Today we will get to know the US non-farm payrolls for February, which could fuel market volatility in the short-term.

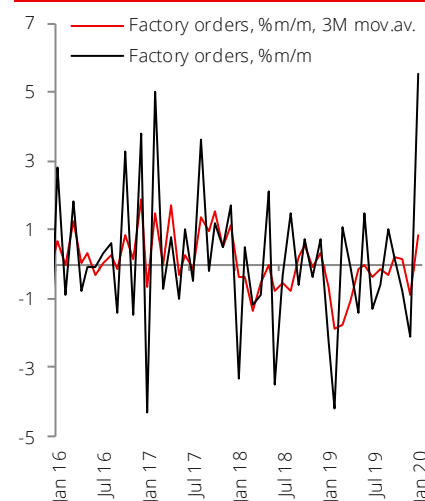
EURPLN neutralized part of the Wednesday's drop as the global market mood deteriorated while USDPLN eased somewhat with the zloty benefiting from the rising EURUSD. Yesterday, the zloty was the fourth strongest EM currency of 21 we compared. Nearly all of them lost yesterday vs the euro and roughly one third depreciated vs the dollar. The shaky global market mood despite the Fed rate cut makes us think that the zloty is rather unlikely to gain further in the short term.

The **other CEE currencies** also depreciated with the forint outperforming its peers, just like in the previous days. The Hungarian currency managed even to see some intraday gains vs the euro. The ruble was clear underperformer and it was one of the weakest EM currencies yesterday.

On the **domestic interest rate market**, bond yields eased by only 1bp while bonds of CEE peers gained much more. On the core debt, yields fell as well but only by 3bp for the 10Y Bund while the 10Y UST yield plummeted by 10bp. Since its multi-month low set at the beginning of the month, the 10Y PL-DE bond yield spread rose 10bp already. Despite the still unstable global market mood, it is difficult for the Polish bonds to resume the downside move of yields after they reached their fresh all-time-lows earlier this month. Yesterday, IRS rates fell more than the bond yields – by c5bp on the belly and long end.

At the **bond auction**, the Ministry of Finance sold bonds for PLN5bn and an additional PLN773mn at the top-up auction. The Ministry informed after the auction that this year's gross borrowing needs were covered in c77%.

Germany, factory orders, % m/m



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.3060	CZKPLN	0.1696
USDPLN	3.8356	HUFPLN*	1.2792
EURUSD	1.1226	RUBPLN	0.0569
CHFPLN	4.0591	NOKPLN	0.4129
GBPPLN	4.9736	DKKPLN	0.5764
USDCNY	6.9472	SEKPLN	0.4062

*for 100HUF

Last session in the FX market 05/03/2020

	min	max	open	close	fixing
EURPLN	4.287	4.308	4.294	4.307	4.2994
USDPLN	3.837	3.862	3.860	3.841	3.8479
EURUSD	1.112	1.122	1.112	1.121	-

Interest rate market 05/03/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0422 (2L)	1.25	2	21 mar 19	OK0521	1.633
PS1024 (5L)	1.43	1	21 mar 19	PS0424	2.209
DS1029 (10L)	1.69	-1	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	1.43	-1	0.72	-3	-0.46	1
2L	1.36	-1	0.65	-4	-0.48	2
3L	1.31	-2	0.66	-5	-0.48	-2
4L	1.32	-3	0.69	-6	-0.46	-1
5L	1.34	-3	0.72	-6	-0.43	-1
8L	1.39	-4	0.83	-7	-0.31	-1
10L	1.41	-5	0.91	-7	-0.22	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.48	-2
T/N	1.52	1
SW	1.54	0
2W	1.58	0
1M	1.63	0
3M	1.70	0
6M	1.76	0
9M	1.80	0
1Y	1.81	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.66	1
3x6	1.47	1
6x9	1.30	-3
9x12	1.17	-2
3x9	1.54	0
6x12	1.34	2

Measures of fiscal risk

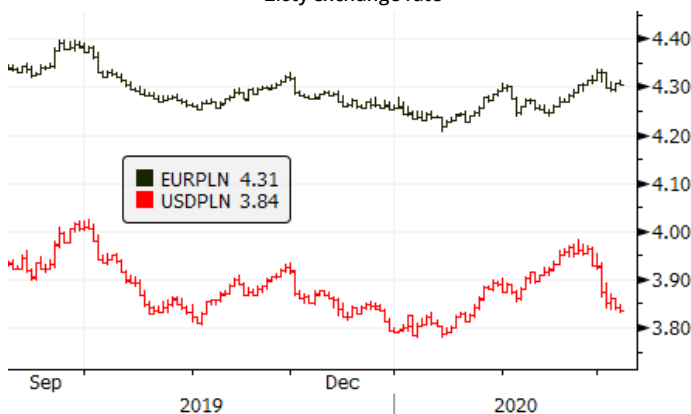
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.38 3
France	19 1	0.34 5
Hungary		2.62 0
Spain	50 1	0.90 5
Italy	155 5	1.75 10
Portugal	50 1	0.98 5
Ireland	23 2	0.47 5
Germany	10 1	- -

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

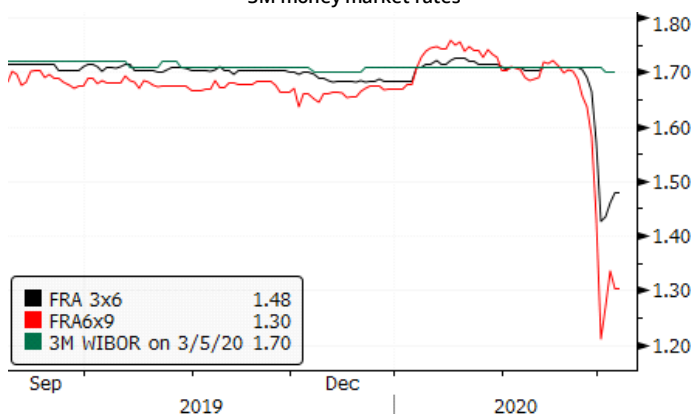
Zloty exchange rate



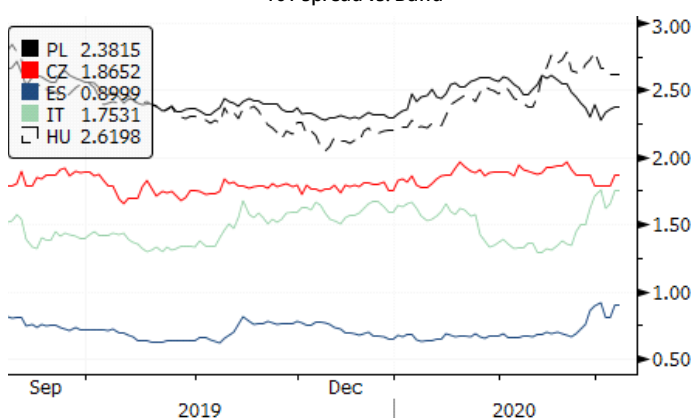
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	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	-	1.2	1.4
11:00	EZ	Unemployment Rate	Jan	%	7.4	-	7.4	7.4
16:00	US	FOMC decision		%	-	-	1.0-1.25	1.50-1.75
WEDNESDAY (4 March)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
02:45	CN	Caixin China PMI Services	Feb	pts	48.0	-	26.5	51.8
09:55	DE	Markit Germany Services PMI	Feb	pts	53.3	-	52.5	54.2
10:00	EZ	Eurozone Services PMI	Feb	pts	52.8	-	52.6	52.5
11:00	EZ	Retail Sales	Jan	% m/m	0.5	-	0,6	-1.1
14:15	US	ADP report	Feb	k	170	-	183	209
16:00	US	ISM services	Feb	pts	55.5	-	57.3	55.5
THURSDAY (5 March)								
14:30	US	Initial Jobless Claims	week	k	215	-	216	219
16:00	US	Durable Goods Orders	Jan	% m/m	-0.2	-	-0.2	-0.2
16:00	US	Factory Orders	Jan	% m/m	-0.1	-	-0.5	1.9
FRIDAY (6 March)								
08:00	DE	Factory Orders	Jan	% m/m	1.3	-	5.5	-2.1
09:00	HU	Industrial Production SA	Jan	% y/y	-0.9	-	2.7	-3.6
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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