

19 March 2020

Eyeopener

Central banks go shopping

ECB announces a new asset purchase program
 Polish government presents its support program
 EURPLN above 4.50, CEE peers also weaker
 Bond yields up
 Today the first NBP operation of bond purchases

Wednesday brought another wave of EM currencies' weakening, due to negative pressure from the strengthening dollar. Stock markets in Europe and in the USA remained slightly above recent minima, while bonds kept on losing: the German debt was doing weaker than the US, the euro zone peripheries were under pressure. Equity market have been trying to find the trough, but Brent oil is failing to do that, as the barrel price broke the February 2016 minimum and fell to the lowest level since 2002. Late in the evening the ECB announced a new asset purchase programme, covering all the asset classes bought by the central bank in its earlier activities: both government bonds and private sector assets. The scale is €750bn and the programme is to run until at least the end of 2020 or as long as the ECB sees the Covid-19 shock. The ECB assured it is ready to do everything within its mandate, it could increase the scale and asset range and will be looking for new options to support the economy during the epidemic. The ECB statement triggered a strong fall in European bond yields, especially in the euro zone peripheries.

Yesterday the **Polish government outlined the rescue package** (the "Anti-crisis Shield") aimed at supporting businesses with reduced revenues, protecting jobs, and countering other effects of the coronavirus. The total value of the program was estimated at PLN212bn (c.9% of GDP), out of which PLN67bn represents actual public spending (about 3% of GDP), PLN75bn in government's liquidity support and PLN70bn in NBP liquidity support. Today we will release detailed comment regarding these measures.

Wages in February accelerated to 7.7% y/y from 7.1% y/y in January. We have to wait until the Statistical Bulletin due for release on 24th March to see the details, but we guess that the acceleration was achieved partially thanks to wage hikes in PGG mining company and neutral working day effect (it was negative in January). Employment growth remained unchanged at January's 1.1% y/y growth rate, but the monthly increase in new jobs has been the weakest since January 2015. Still, these numbers are from the pre-coronavirus timestamp, and we fear that the lockdowns of many services in March are likely to take its toll on wages and employment.

In March, **consumer confidence** changed little in Poland holding near the 3-year low as far as the main indexes regarding current situation and expectations are concerned. The details reveal a further drop in the expected financial and economic situation, while current financial situation of households improved vs February. Major purchases index and unemployment worries index were stable m/m. There was no sign of panic mode among consumers but the survey was conducted on March 2-11, that is before the tight measures were implemented by the government to stop the coronavirus spread.

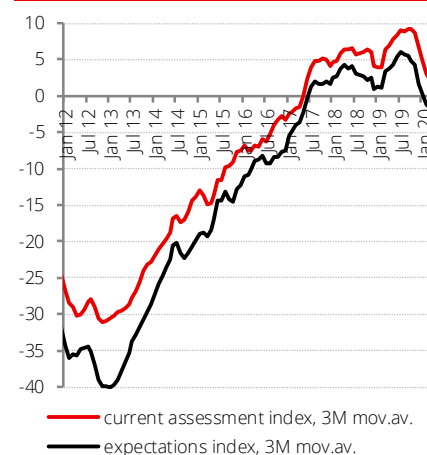
EURUSD downward move observed since last week continued yesterday and the currency pair closed slightly above 1.08. We think the USD strength comes from continued risk aversion mode on the markets. EURUSD might target now this year's minimum from February at 1.08.

EURPLN significantly increased again and as a result at the end of the day was at 4.51, slightly above the high from September 2016 and highest since June 2016. USDPLN reached 4.14 during the day (highest level since January 2017), then stabilized at 4.20 and retraced back overnight. CHFPLN touched 4.30 – in the previous years the currency pair was trading higher only for a few days during the EURCHF abrupt moves in January 2015. The dollar might still gain from here which might send both EURPLN and USDPLN higher.

Other regional currencies also weakened. EURCZK for long remained below the Monday highs but at the end of the day the koruna lost and EURCZK went up to 27.75 – the highest since February 2015. The NBH rhetoric change which supported the forint for some time is gone and yesterday EURHUF printed another all-time high at c335. USDRUB traded for a while within 70.45-75.40 but eventually broke to the upside due to the stronger dollar, further oil price declines and reached as high as 80.0 – the highest since February 2016.

On the **domestic fixed income market** bond yields soared by 20-25bp in 2Y and 10Y tenors and less than 10bp in 5Y. IRS curve moved up by 1-7bp, the least in the short end. In the core markets, 10Y Bund yield rose c.10bp and 10Y UST by 5bp. The ECB's announcement of the new asset purchase programme triggered a rally on the Eurozone bond market this morning. We may see a similar direction in the Polish debt market today, especially that the NBP is expected to conduct its first QE operation today, buying POLGBs on the secondary market "on a grand scale".

Consumer sentiment, pts



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.5450	CZKPLN	0.1635
USDPLN	4.1703	HUFPLN*	1.2731
EURUSD	1.0894	RUBPLN	0.0519
CHFPLN	4.2990	NOKPLN	0.3497
GBPPLN	4.8257	DKKPLN	0.6082
USDCNY	7.0780	SEKPLN	0.3994

*for 100HUF

Last session in the FX market 18/03/2020

	min	max	open	close	fixing
EURPLN	4.459	4.550	4.470	4.538	4.4806
USDPLN	4.041	4.201	4.069	4.183	4.0749
EURUSD	1.080	1.105	1.099	1.085	-

Interest rate market 18/03/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2L)	0.98	14	5.03.2020	OK0722	1.225
DS0725 (5L)	1.72	21	5.03.2020	PS1024	1.431
DS1029 (10L)	2.14	35	5.03.2020	DS1029	1.725

IRS on the interbank market**

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.89	-9	0.63	5	-0.36	3
2L	0.92	-1	0.56	6	-0.33	6
3L	0.95	3	0.60	6	-0.28	7
4L	1.01	4	0.68	9	-0.21	9
5L	1.08	5	0.77	11	-0.13	12
8L	1.20	6	0.97	16	0.04	16
10L	1.26	8	1.05	18	0.12	17

WIBOR rates

Term	%	Change (bps)
O/N	0.97	-44
T/N	0.97	-44
SW	1.08	-41
2W	1.10	-40
1M	1.19	-31
3M	1.22	-28
6M	1.24	-28
9M	1.80	0
1Y	1.26	-27

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.90	-10
3x6	0.80	0
6x9	0.77	2
9x12	0.70	6
3x9	0.85	4
6x12	0.80	14

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.50	46
France	52	-7	0.40	-18
Hungary			3.69	11
Spain	166	-49	1.23	-22
Italy	281	-81	1.85	-82
Portugal	168	-45	1.47	-21
Ireland	61	-8	0.84	26
Germany	28	-5	-	-

* 10Y treasury bonds over 10Y Bunds

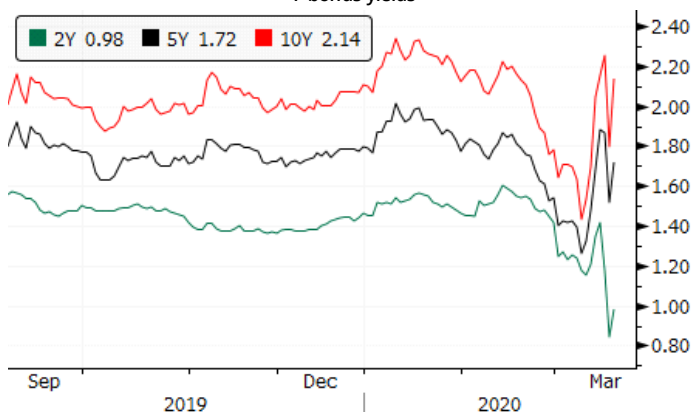
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

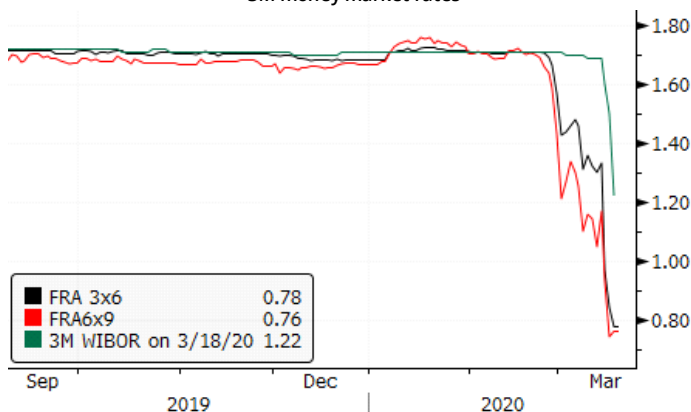
Zloty exchange rate



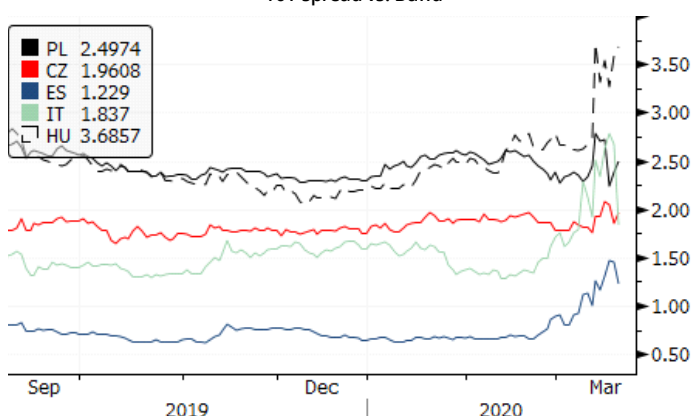
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME		COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (13 March)								
08:00	DE	HICP	Feb	% m/m	0.6	-	0.6	0.6
10:00	PL	CPI	Feb	% y/y	4.4	4.4	4.7	4.3
15:00	US	Michigan index	Mar	pts	95.0	-	95.9	101.0
MONDAY (16 March)								
14:00	PL	CPI Core	Feb	% y/y	3.4	3.4	3.6	3.1
14:00	PL	Current Account Balance	Jan	€mn	3 043	3 042	2 265	990
14:00	PL	Trade Balance	Jan	€mn	-	973	330	224
14:00	PL	Exports	Jan	€mn	-	19 640	19 267	17 220
14:00	PL	Imports	Jan	€mn	-	18 667	18 937	16 996
TUESDAY (17 March)								
	PL	MPC decision – refi rate		%	-	-	1.0	1.50
11:00	DE	ZEW Survey Current Situation	Mar	pts	-25.0	-	-49.5	-15.7
13:30	US	Retail Sales Advance	Feb	% m/m	0.2	-	-0.5	0.3
14:15	US	Industrial Production	Feb	% m/m	0.4	-	0.6	-0.31
WEDNESDAY (18 March)								
10:00	PL	Employment in corporate sector	Feb	% y/y	1.0	1.0	1.1	1.1
10:00	PL	Average Gross Wages	Feb	% y/y	7.0	7.1	7.7	7.1
11:00	EZ	HICP	Feb	% y/y	1.2	-	1.2	1.2
13:30	US	Housing Starts	Feb	% m/m	-4.3	-	-1.5	1.4
THURSDAY (19 March)								
10:00	PL	Sold Industrial Output	Feb	% y/y	2.1	2.4		1.1
10:00	PL	PPI	Feb	% y/y	0.3	0.3		0.8
13:30	US	Initial Jobless Claims	week	k	220	-		211
13:30	US	Index Philly Fed	Mar	pts	10.0	-		36.7
FRIDAY (20 March)								
10:00	PL	Construction Output	Feb	% y/y	0.9	0.9		6.5
10:00	PL	Retail Sales Real	Feb	% y/y	4.4	4.1		3.4
15:00	US	Existing Home Sales	Feb	% m/m	1.1	-		-1.3

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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