

20 March 2020

Eyeopener

A day without heavy losses

More actions to stabilise markets

Zloty and forint under pressure, koruna and ruble stable

Domestic debt failed to gain on bond rally in euro zone periphery

Today Polish retail sales, business sentiment indexes

Global central banks are taking up more actions to support the economy hit by the coronavirus epidemic. ECB launched a new asset purchase programme worth €750bn, Bank of Australia is to start its first QE ever (to keep 3Y bond yield at 0.25%) after cutting its main rate to all-time low at 0.25%. Yesterday the Bank of England cut its main rate to 0.1% and increased the planned security purchases to GBP645bn from GBP200bn. So far these actions mitigated the declines and stabilised some equity indices. A more pronounced positive effect is visible on the debt market, where euro zone peripheries bond yields declined yesterday.

Yesterday we released a comment titled "[Government's anti-crisis shield](#)" where we assess the measures proposed by the Polish government to support the economy in its fight with coronavirus consequences.

Poland **industrial output** growth accelerated to 4.9% y/y in February from 1.1% y/y in January. Seasonally adjusted figures showed a growth by 3.2% y/y versus 3.5% y/y in January. The numbers came out strong, above the market consensus (2.0% y/y). It seems that the Polish industry was getting started to follow an upward path at the start of 2020, unfortunately the coronavirus spread is very likely to hinder that recovery. In the months to come, we are expecting a strongly negative impact of the epidemic on the economic growth. Find more in our yesterday's [Economic comment](#).

The **minutes from the MPC meeting** on 3-4 March show that the Council was neither sharing view that monetary policy easing was justified nor preparing any non-standard policy measures. The motion to cut rates by 25bp was filed again, but was unsuccessful. The MPC underscored the building uncertainty about economic outlook and the members who were worried about rising inflation this time did not propose to consider hiking rates. The opinions about the ability to counteract economic effects of coronavirus through monetary easing were split. In less than two weeks after the meeting, when the disease has spread and the government made drastic steps to contain it, the MPC's point of view has changed and on 17 March it announced the set of stimulative measures, including the 50bp cut in reference rate.

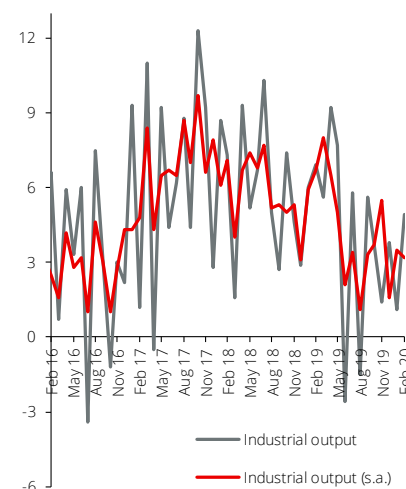
Łukasz Hardt from MPC said one should not think about cutting rates further. He said, it is difficult to assess how long the Polish QE will last, it will depend in his view on zloty reaction and on how well the monetary policy transmission channel performs. If zloty does not weaken much further, one can put under consideration an introduction of long term repo at a rate below the reference rate – for banks which would increase credit to corporates (an equivalent of ECB's TLTRO). **Adam Glapiński** in an article for Rzeczpospolita daily confirmed that the instrument (TLTRO equivalent) will be introduced and the actions undertaken by the NBP should prevent the inflation from permanently undershooting the target as demand is weaker and oil prices lower. According to the NBP governor, GDP growth in 2020 will suffer from temporary closures in some sectors, however in 2H20 and 2021 GDP growth should recover. According to **Grażyna Ancyparowicz**, monetary policy did what it could. Further rate cuts are possible however and depend on effectiveness of the measures undertaken by the government and the suite of instruments provided by NBP.

Yesterday **EURUSD** fell for the third time in a row and hit a new year's minimum below 1.07. This was also the lowest level since April 2017.

EURPLN continued the upward move observed since the last Thursday. Yesterday it surpassed 4.61 (the highest level since April 2009) and then calmed down. USDPLN was temporarily above 4.27. GBPPLN recorded a dynamic rise above 4.95 from 4.75 and CHFPLN was shortly above 4.37, but today it is a bit lower.

On the **domestic interest rate market** 2Y and 5Y bond yields rose by 5bp and 20bp on the long end. Polish debt underperformed euro zone peripheries where yields dropped noticeably after the ECB announced its new bond purchase program. It seems that to some extent domestic bonds might have been pressured by the results and form of the first bond auction carried out by the central bank. The NBP announced it will purchase selected three series of bonds for a maximum amount of PLN10bn while the commercial banks decided only to sell bonds for cPLN2.7bn. Banks could be reluctant to sell bonds that are exempt from the banking tax.

Industrial output, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.5354	CZKPLN	0.1651
USDPLN	4.1925	HUFPLN*	1.2781
EURUSD	1.0819	RUBPLN	0.0537
CHFPLN	4.2955	NOKPLN	0.3795
GBPPLN	4.9564	DKKPLN	0.6069
USDCNY	7.0542	SEKPLN	0.4095

*for 100HUF

Last session in the FX market 19/03/2020

	min	max	open	close	fixing
EURPLN	4.489	4.618	4.538	4.569	4.5917
USDPLN	4.090	4.294	4.183	4.277	4.2421
EURUSD	1.066	1.098	1.085	1.068	-

Interest rate market 19/03/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2L)	1.04	5	5.03.2020	OK0722	1.225
DS0725 (5L)	1.72	0	5.03.2020	PS1024	1.431
DS1029 (10L)	2.17	3	5.03.2020	DS1029	1.725

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.84	-5	0.71	8	-0.33	3
2L	0.89	-3	0.60	4	-0.28	4
3L	0.92	-2	0.60	0	-0.22	6
4L	0.99	-1	0.63	-6	-0.16	5
5L	1.08	0	0.66	-10	-0.09	4
8L	1.20	0	0.84	-13	0.08	4
10L	1.26	0	0.91	-14	0.16	4

WIBOR rates

Term	%	Change (bps)
O/N	0.93	-4
T/N	1.03	6
SW	1.08	0
2W	1.07	-3
1M	1.16	-3
3M	1.19	-3
6M	1.21	-3
9M	1.80	0
1Y	1.25	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.90	0
3x6	0.74	-7
6x9	0.72	-5
9x12	0.70	0
3x9	0.79	-6
6x12	0.78	-3

Measures of fiscal risk

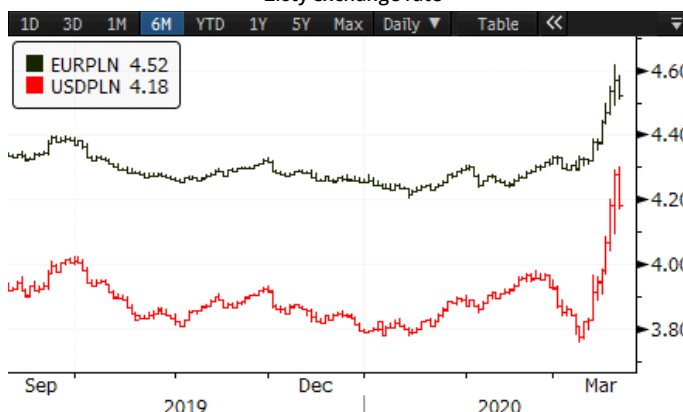
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.44	10
France	52	-9	0.40	-2
Hungary			3.41	8
Spain	166	-39	1.04	-3
Italy	281	-84	1.84	-10
Portugal	168	-44	1.24	-4
Ireland	61	-14	0.54	-2
Germany	28	-4	-	-

* 10Y treasury bonds over 10Y Bunds

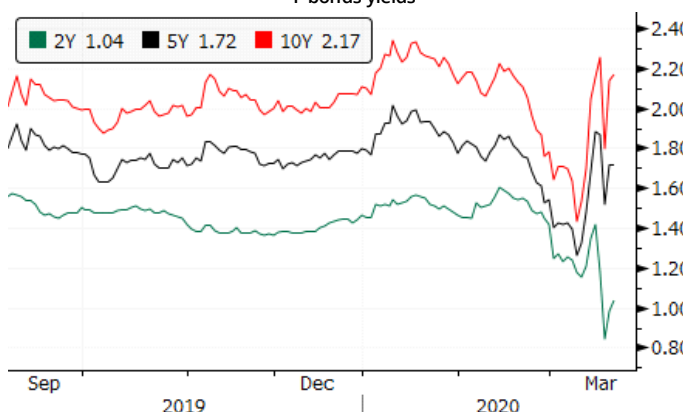
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

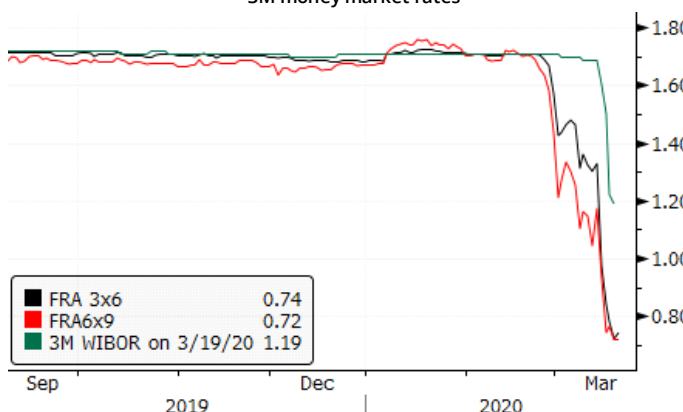
Zloty exchange rate



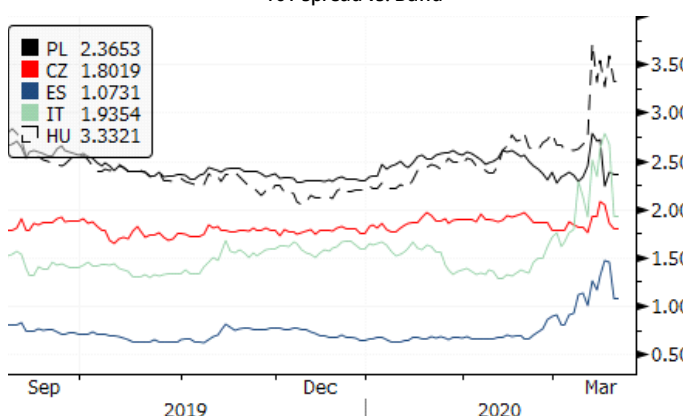
T-bonds yields



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	4.9	1.1
10:00	PL	PPI	Feb	% y/y	0.3	0.3	0.1	0.8
13:30	US	Initial Jobless Claims	week	k	220	-	281	211
13:30	US	Index Philly Fed	Mar	pts	10.0	-	-12.7	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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