

23 March 2020

# Eyeopener

## Market sentiment temporarily calmed down

Still without a fresh risk-aversion wave  
Zloty and other CEE currencies slightly stronger  
Domestic bonds gain thanks to core markets  
Today Polish money supply data

At the end of the week the relatively good sentiment persisted on the global market, partly due to decisions about large-scale intervention announced earlier by central banks and governments. Stock market indices were rising, bond yields declining, and EM currencies stabilised or even slightly gained amid slight dollar losses. The wave of monetary policy easing was joined neither by the central bank of China (which kept rates at 4.05%) nor Russia (which held rate at 6.0%). Today or tomorrow the Polish government should present the draft bill of the "Anti-crisis shield", and the parliament can approve it on Friday. The bill could include some new proposals. According to DGP daily the highly controversial proposal from UOKiK to allow suspension of repayment for every consumer and mortgage loan, will not be included in the package.

Poland **construction output** rose in February by 5.6% y/y (or 5.8% y/y after seasonal adjustment), which was way above market expectations (near 1% y/y). Retail sales rebounded to 7.3% y/y from 3.4% y/y in January with a broad-based recovery in most categories and also beat consensus at about 4% y/y. March sectoral business sentiment indicators worsened (albeit still did not reflect the situation after the lockdown as the GUS business sentiment surveys are collected in the first 10 days of each month). Friday's data, together with better than expected results of manufacturing, imply that the scale of GDP growth deceleration in 1Q might not be very dramatic (yet), even taking into account possible losses after the country lockdown in mid-March. The big deterioration in economic activity is yet to come, though. Find more in our [Friday's Economic comment](#).

**MPC's Grażyna Ancyparowicz and Jerzy Żyżyński** said on Friday that another rate cut could not be ruled out. Ancyparowicz said it depended on effectiveness of the government actions and other central bank measures. According to Żyżyński, the MPC should wait with the next move until epidemic impact on the economy could be estimated with higher precision. Żyżyński added that bond purchase programme will last until the year-end or longer and that "the scale could be up to a couple dozens of billions of PLN". We think that release of more details on the timing, scale and rules of the programme could be positive in comparison to the current situation where nothing is officially released.

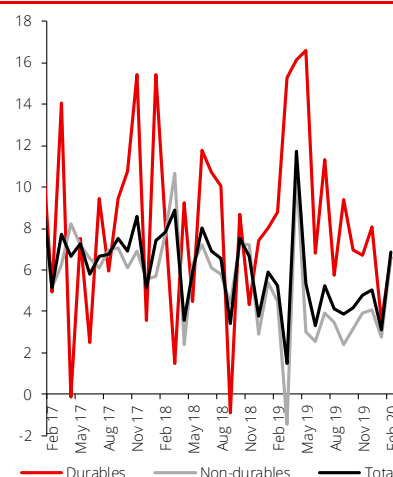
**EURUSD** stabilised on Friday slightly above the multi-month minimum of 1.065 set last Thursday. Intraday, the exchange rate managed to go above 1.08, but at the end of the session it was again close to the opening level around 1.07. On Monday morning the rate opens at 1.074.

**EURPLN** moved back to c4.53 from 4.60, taking advantage of a break in the appreciation of the dollar. USDPLN was trading within a broader range 4.17-4.29, remaining below the Thursday peak. In the case of other CEE currencies, there was also some relief after the depreciation from the previous days of the week. The ruble gained the least from the improved sentiment, because the oil price rebound was temporary and at the end of the day Brent approached last week's minimum.

On the **domestic interest rate market** IRS and bond yields were moving in line with the strengthening core markets and euro zone peripheries. As in the previous days, the size of the daily change was large. The Ministry of Finance announced that today it will hold a switch auction and will accept floating coupon bonds. These were not purchased by NBP last week.

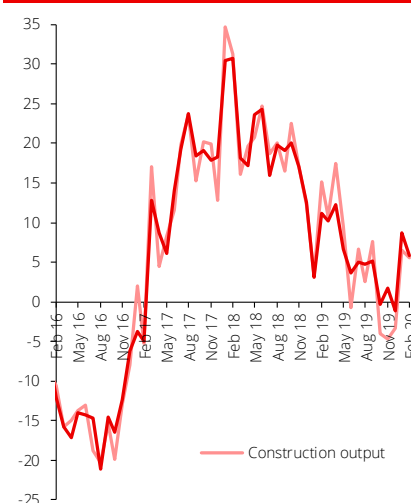
**This week** the spread of the pandemic will remain the key topic. Governments and central banks in most countries have launched pronounced support measures, which gives hope for - at least temporary - stabilisation of market sentiment. In the coming days flash PMIs for Europe will be released. The Hungarian and Czech central banks meetings are also on the agenda. The former cut rates by 50bp in an emergency meeting already in the passing week, without waiting for the regular scheduled meeting. The latter has already mentioned launching an asset purchase programme, and may take this opportunity to formally announce it. After the fastest PLN depreciation vs euro since 2016 we expect a moment of a breather and a stabilization of EURPLN near 4.50. In the longer horizon it is more likely that the zloty will be weakening rather than strengthening. We expect that POLGBs yields will oscillate within wide ranges which we observed in the passing week, with intra-day volatility remaining at elevated levels because of very low liquidity. The local debt market have not taken participation in the ECB-induced EU periphery bond rally, but also remained insulated from the core market yields increases. The IRS should remain low, pricing in risk of further rate cuts by NBP.

Retail sales, % y/y



Source: GUS, Santander

Construction output, % y/y



Source: GUS, Santander

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.5618 | CZKPLN  | 0.1671 |
| USDPLN | 4.2539 | HUFPLN* | 1.2891 |
| EURUSD | 1.0723 | RUBPLN  | 0.0527 |
| CHFPLN | 4.3232 | NOKPLN  | 0.3615 |
| GBPPLN | 4.9746 | DKKPLN  | 0.6105 |
| USDCNY | 7.1134 | SEKPLN  | 0.4099 |

\*for 100HUF

### Last session in the FX market 20/03/2020

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.506 | 4.585 | 4.569 | 4.537 | 4.5459 |
| USDPLN | 4.166 | 4.300 | 4.277 | 4.245 | 4.24   |
| EURUSD | 1.064 | 1.083 | 1.068 | 1.069 | -      |

## Interest rate market 20/03/2020

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

| Benchmark (term) | %    | Change (bps) | Last auction | Series | Average yield |
|------------------|------|--------------|--------------|--------|---------------|
| PS0422 (2L)      | 0.99 | -5           | 5.03.2020    | OK0722 | 1.225         |
| DS0725 (5L)      | 1.53 | -19          | 5.03.2020    | PS1024 | 1.431         |
| DS1029 (10L)     | 1.96 | -21          | 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                            | 0.77 | -7           | 0.63 | -8           | -0.32 | 1            |
| 2L                            | 0.77 | -12          | 0.51 | -9           | -0.28 | 4            |
| 3L                            | 0.80 | -12          | 0.50 | -10          | -0.22 | 6            |
| 4L                            | 0.87 | -13          | 0.52 | -11          | -0.16 | 5            |
| 5L                            | 0.94 | -14          | 0.55 | -11          | -0.09 | 4            |
| 8L                            | 1.06 | -13          | 0.70 | -14          | 0.08  | 4            |
| 10L                           | 1.12 | -14          | 0.77 | -14          | 0.16  | 4            |

## WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 1.01 | 8            |
| T/N  | 1.01 | -2           |
| SW   | 1.08 | 0            |
| 2W   | 1.07 | 0            |
| 1M   | 1.16 | 0            |
| 3M   | 1.18 | -1           |
| 6M   | 1.20 | -1           |
| 9M   | 1.80 | 0            |
| 1Y   | 1.24 | -1           |

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

| Term | %    | Change (bps) |
|------|------|--------------|
| 1x4  | 0.82 | -8           |
| 3x6  | 0.68 | -5           |
| 6x9  | 0.64 | -9           |
| 9x12 | 0.58 | -13          |
| 3x9  | 0.70 | -9           |
| 6x12 | 0.65 | -13          |

## Measures of fiscal risk

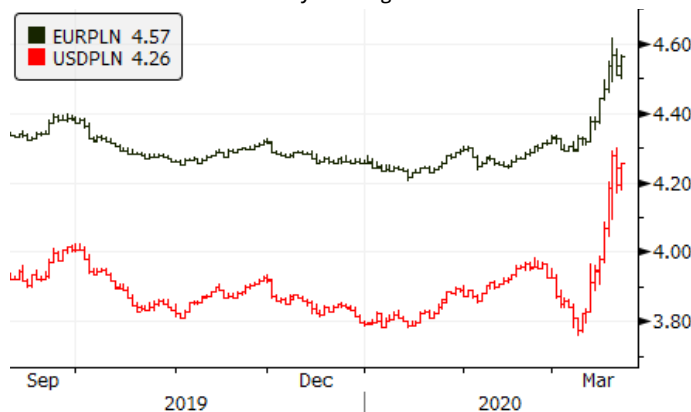
| Country  | CDS 5Y USD |              | 10Y spread* |              |
|----------|------------|--------------|-------------|--------------|
|          | Level      | Change (bps) | Level       | Change (bps) |
| Poland   |            |              | 2.31        | -19          |
| France   | 43         | -1           | 0.46        | 3            |
| Hungary  |            |              | 3.26        | -20          |
| Spain    | 127        | -4           | 1.08        | 2            |
| Italy    | 197        | -12          | 2.03        | 7            |
| Portugal | 124        | -6           | 1.28        | 1            |
| Ireland  | 47         | 1            | 0.58        | -11          |
| Germany  | 24         | -3           | -           | -            |

\* 10Y treasury bonds over 10Y Bunds

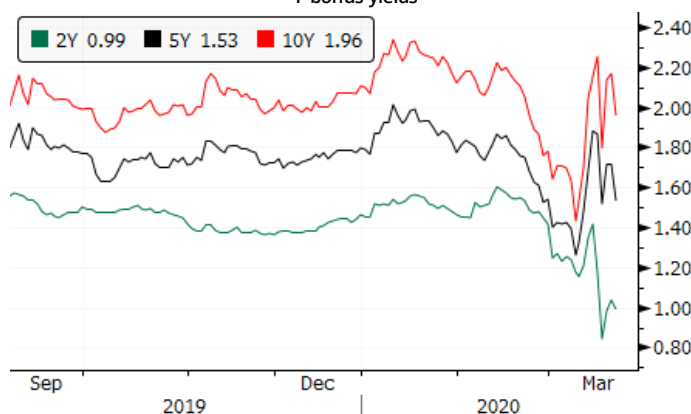
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

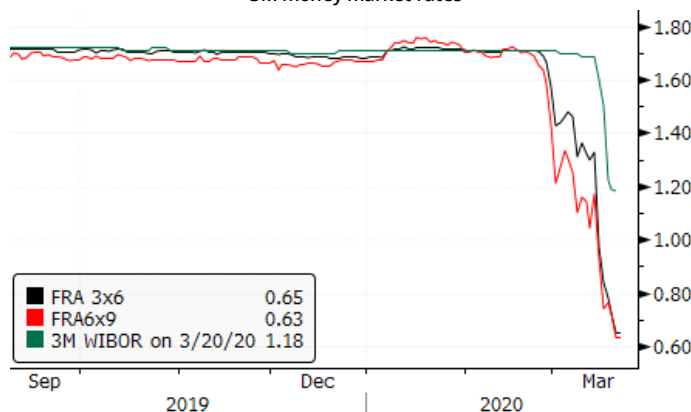
## Zloty exchange rate



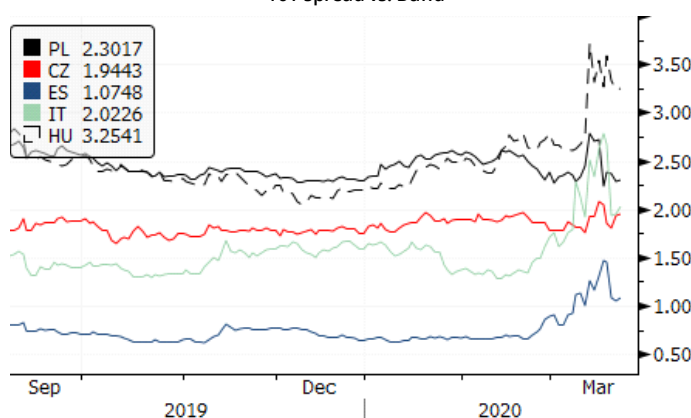
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| TIME                        | COUNTRY | INDICATOR                 | PERIOD    | FORECAST |           | ACTUAL | LAST   |
|-----------------------------|---------|---------------------------|-----------|----------|-----------|--------|--------|
|                             |         |                           |           | MARKET   | SANTANDER |        |        |
| CET                         |         |                           |           |          |           | VALUE  | VALUE* |
| <b>FRIDAY (20 March)</b>    |         |                           |           |          |           |        |        |
| 10:00                       | PL      | Construction Output       | Feb % y/y | 0.9      | 0.9       | 5.6    | 6.5    |
| 10:00                       | PL      | Retail Sales Real         | Feb % y/y | 4.4      | 4.1       | 7.3    | 3.4    |
| 15:00                       | US      | Existing Home Sales       | Feb % m/m | 1.1      | -         | 6.5    | -2.0   |
| <b>MONDAY (23 March)</b>    |         |                           |           |          |           |        |        |
| 11:00                       | PL      | Bond switch auction       |           |          |           |        |        |
| 14:00                       | PL      | Money supply              | Feb % y/y | 8.7      | 9.1       |        | 9.3    |
| <b>TUESDAY (24 March)</b>   |         |                           |           |          |           |        |        |
| 9:30                        | DE      | Flash PMI – manufacturing | Mar pts   | 40.0     | -         |        | 48.0   |
| 9:30                        | DE      | Flash PMI – services      | Mar pts   | 43.5     | -         |        | 52.5   |
| 10:00                       | EZ      | Flash PMI – manufacturing | Mar pts   | 40.0     | -         |        | 49.2   |
| 10:00                       | EZ      | Flash PMI – services      | Mar pts   | 40.0     | -         |        | 52.6   |
| 14:00                       | HU      | Central bank decision     | %         | 0.90     | -         |        | 0.90   |
| 15:00                       | US      | New home sales            | Feb % m/m | -1.8     | -         |        | 7.9    |
| <b>WEDNESDAY (25 March)</b> |         |                           |           |          |           |        |        |
| 10:00                       | DE      | Ifo index                 | Mar pts   | -        | -         |        | 87.7   |
| 13:30                       | US      | Durable goods orders      | Feb % m/m | -1.0     | -         |        | -0.2   |
| <b>THURSDAY (26 March)</b>  |         |                           |           |          |           |        |        |
| 13:00                       | CZ      | Central bank decision     | %         | -        | -         |        | 1.25   |
| 13:30                       | US      | Initial jobless claims    | week k    | 750      | -         |        | 281    |
| 13:30                       | US      | GDP 3rd estimate          | 4Q % y/y  | 2.1      | -         |        | 2.1    |
| <b>FRIDAY (27 March)</b>    |         |                           |           |          |           |        |        |
|                             | PL      | Fitch rating review       |           |          |           |        |        |
| 13:30                       | US      | Personal incomes          | Feb % m/m | 0.4      | -         |        | 0.6    |
| 13:30                       | US      | Personal spending         | Feb % m/m | 0.3      | -         |        | 0.2    |
| 15:00                       | US      | Michigan index            | Mar % m/m | 93.3     | -         |        | 95.9   |

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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