

25 March 2020

# Eyeopener

## Senate and WH strike a deal on stimulus bill

Hopes for US fiscal package improve market sentiment  
 EURPLN stable near many-year highs  
 Domestic yields decline  
 Today data from Germany and the US

On Tuesday the global market sentiment was positive, as the market was hoping for the US Congress to approve the USD2tn rescue package for the economy. Today in the morning the White House representatives informed that an agreement was reached. Stock markets in Europe climbed, but this did not affect the CEE currencies. Bonds prices on the core and peripheral markets did not change much, at least compared to high volatility recorded on the previous days, while Polish bond yields declined markedly. Yesterday flash PMI for services in Germany and the euro zone slumped to the lowest level in the history of the survey. Drastic limitations in activity hit especially tourism and gastronomy. Manufacturing indices also fell and reached all-time lows, but fell less considerably the services, supported by positive impact of longer delivery times.

In February, **industrial new orders growth** rose some more, from 5.5% y/y to 6.9%, with foreign orders reaching 15.6% y/y (one of the strongest prints in the last two years). Data on the book value of new investments undertaken in 4Q19 showed a massive rise (50.5% y/y) albeit the projects are heavily concentrated in the transport and storage sector, with also some improvement in investment activity in industry. The epidemic may thwart the plans and there may no rebound of investments within the next several quarters the 4Q new investment data are indicating. The details of the business sentiment survey conducted in the first decade of March (before the country lockdown) show that already at that time the transport sector and hotels and restaurants sector felt a significant drop in demand while other sectors (e.g. industry, construction, retail trade) did not. However in all sectors there was already an abrupt large drop in expected demand, activity and financial situation plus a significant deterioration of employment indexes (excluding transport).

**MPC member** Łukasz Hardt said that the MPC should not signal any further rate cuts. In his view inflation is no longer in the spotlight which creates space for a stronger support for the government's economic policy by NBP - the actions of the central bank should be focused on supply of liquidity to the financial sector (lower reserve requirement, sovereign bond purchases).

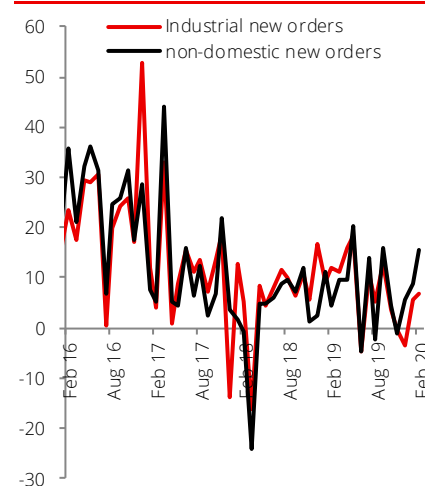
**EURUSD** yesterday moved away from 1.07 level, around which it has been hovering in the three previous sessions and temporarily approached 1.09. At the end of the day the rate was near 1.08. Weak data from the euro zone could impose pressure on EURUSD decline. The scope for USD strengthening in the short term may be curbed by the unlimited bond purchase programme by Fed.

Yesterday **EURPLN** was hovering only slightly below multi-year maximum at 4.63. USDPLN was moving in a PLN0.10 wide range around 4.25. It seems that improved market sentiment is not really feeding into the PLN market. We expect data showing that the epidemic in main developing markets is stopping will trigger enough optimism to support the domestic currency.

On the In case of the **other CEE currencies**, the forint was the underperformer after on Monday it gained more than the koruna and rouble. Yesterday, the Hungarian central bank kept interest rates unchanged with the main rate still at 0.90% and decided to launch a liquidity program providing low- and fixed-interest loans. The bank said it is ready to take further action if needed.

On the **domestic interest rate market** yields fell 5-15bp, mainly on the long end. The 2Y and 5Y IRS rates stabilized while the 10Y fell by 3bp. On the core debt market, the 10Y Bund and Treasuries were less volatile than on Monday and remained around -0.34% and 0.86%, respectively. Last week, the 10Y Bund yield upside move stopped at -0.20% resistance that has been preventing rates from a further rise already since July 2019. The room for higher Bund yields could be limited in the short term which in turn could be positive for the Polish debt.

Value of new orders in industry (% y/y)



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.5983	CZKPLN	0.1659
USDPLN	4.2551	HUFPLN*	1.2964
EURUSD	1.0808	RUBPLN	0.0543
CHFPLN	4.3393	NOKPLN	0.3889
GBPPLN	5.0322	DKKPLN	0.6159
USDCNY	7.0780	SEKPLN	0.4212

\*for 100HUF

### Last session in the FX market 24/03/2020

	min	max	open	close	fixing
EURPLN	4.576	4.634	4.611	4.605	4.6044
USDPLN	4.220	4.306	4.290	4.281	4.2421
EURUSD	1.072	1.089	1.075	1.076	-

## Interest rate market 24/03/2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2L)	0.83	-2	5.03.2020	OK0722	1.225
DS0725 (5L)	1.31	-8	5.03.2020	PS1024	1.431
DS1029 (10L)	1.81	-6	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	0.59	-2	0.64	3	-0.31	1
2L	0.61	0	0.52	4	-0.30	-1
3L	0.63	-1	0.52	5	-0.27	-1
4L	0.68	-1	0.55	7	-0.22	-1
5L	0.75	-3	0.58	8	-0.16	-1
8L	0.89	-2	0.68	7	-0.03	-2
10L	0.96	-2	0.72	6	0.03	-3

## WIBOR rates

Term	%	Change (bps)
O/N	0.80	-5
T/N	0.83	-8
SW	1.02	-1
2W	1.04	0
1M	1.14	-1
3M	1.17	-1
6M	1.20	0
9M	1.80	0
1Y	1.23	0

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

Term	%	Change (bps)
1x4	0.70	0
3x6	0.47	-4
6x9	0.35	-3
9x12	0.30	-4
3x9	0.52	-3
6x12	0.37	-2

## Measures of fiscal risk

Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.14 -11
France	45 -1	0.51 2
Hungary		2.56 -57
Spain	133 -13	1.20 7
Italy	191 -10	1.89 -7
Portugal	125 -9	1.39 6
Ireland	50 -3	0.63 1
Germany	24 -2	- -

\* 10Y treasury bonds over 10Y Bunds

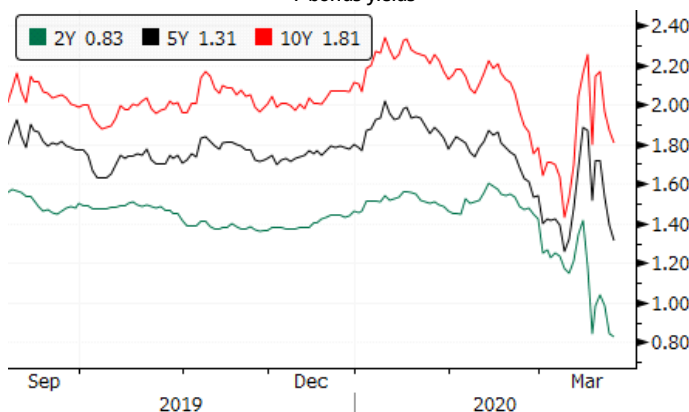
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

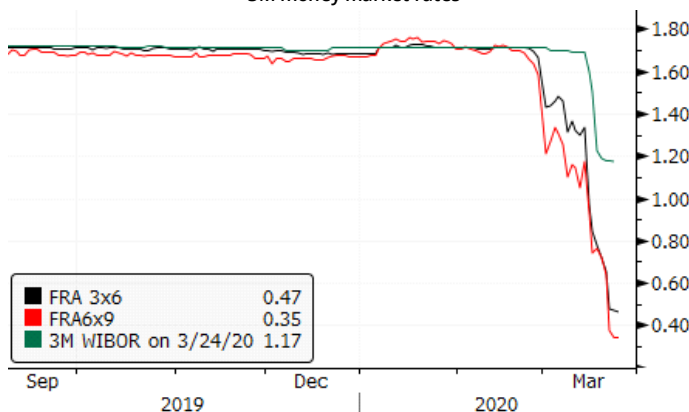
## Zloty exchange rate



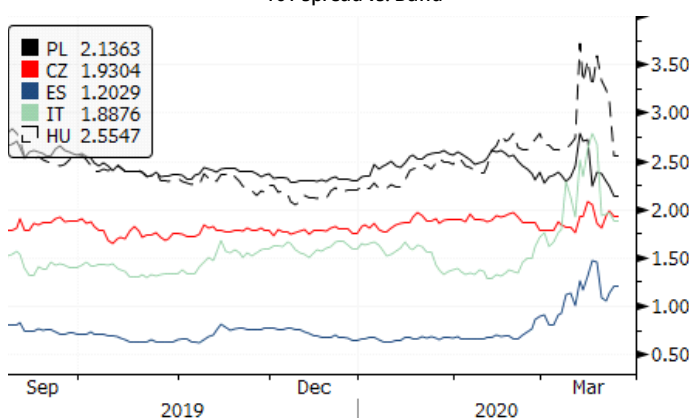
## T-bonds yields



## 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	9.4	9.3
<b>TUESDAY (24 March)</b>							
9:30	DE	Flash PMI – manufacturing	Mar pts	40.0	-	45.7	48.0
9:30	DE	Flash PMI – services	Mar pts	43.5	-	34.5	52.5
10:00	EZ	Flash PMI – manufacturing	Mar pts	40.0	-	44.8	49.2
10:00	EZ	Flash PMI – services	Mar pts	40.0	-	28.4	52.6
14:00	HU	Central bank decision	%	0.90	-	0.90	0.90
15:00	US	New home sales	Feb % m/m	-1.8	-	-4.4	10.5
<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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