

27 March 2020

Eyeopener

Another day of low volatility

Equity indices in the green despite record high US initial jobless claims
Zloty and other regional currencies slightly higher
POLGBs markets stable
Today data in the US

Thursday was another day under positive influence of information about the approval of the \$2 trillion stimulus package in the USA (which should be finally passed today in the House of Representatives). Quick reaction of US policymakers could have caused that the data about massive jump in the number of new jobless claims (to over 3 million in just a few days) has not triggered a meaningful market reaction. Fed governor said that the central bank has not used all ammunition yet in its fight with economic downturn. The Bank of England kept interest rates on hold and did not change the size of asset purchase programme, after it did relax monetary policy earlier this month. The leaders of G20 issued the statement after the meeting, saying that they will use \$5bn to minimise effects of coronavirus on global economy. As a result, the equity markets in Europe and USA soared, which finally allowed for slight strengthening of CEE currencies. Core market bonds were roughly unchanged again, with only slight decrease of yields.

EURUSD Yesterday climbed for the fourth day in a row and broke through February low, ending the day at 1.10. As a result, the euro has trimmed almost full losses suffered last week and almost half of the depreciation observed since the first decade of March. In our view the pair is likely to remain near yesterday close in the days today.

EURPLN fell temporarily to 4.53 from 4.59 and **USDPLN** to 4.12 from 4.20. The zloty gained also versus the franc, but lost versus the pound. The zloty depreciation stopped, at least for a while, and the Polish currency is likely to slowly trim its losses, provided that risk aversion stays low.

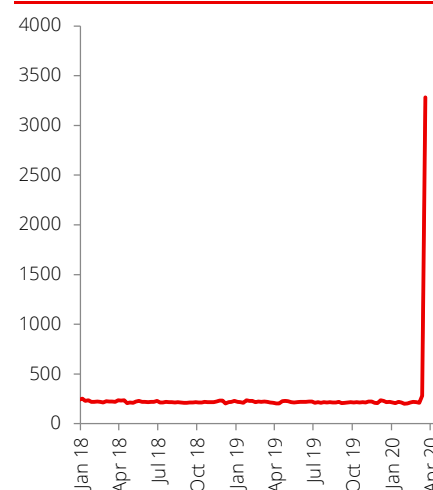
As regards **other CEE currencies**, the koruna performed the best (thanks to the outcome of the central bank meeting) followed by the ruble (benefitting from the weaker dollar). The Czech central bank (CNB) surprised the market by cutting rates by 75bp while the consensus was for a 50bp cut. This was its second rate cut this month and the main rate is now at 1.00%. What's more, the bank announced that it will launch additional measures to support the banking sector liquidity, without giving any details yet. The bank representatives signalled they are waiting for the changes in law that will allow CNB to be more active on other markets (not only the FX market). The meeting was received as not so dovish and the koruna responded positively to the outcome.

On the **domestic interest rate market** IRS and bond yields fell by c1-6bp. The 10Y Bund yield eased towards its short-term support at -0.4%. At the yesterday's auction the NBP announced it would purchase bonds for the total of PLN10.7bn (six series total with biggest purchases of DS0726 and DS0129 – by PLN5bn each). All in all, at the three auctions conducted so far, the central bank repurchased bonds for PLN19bn (2.7+5.6+10.7).

The **Ministry of Finance** said that the standard auctions may dominate in the short term while the switch auction may play a secondary role. Deputy finance minister Piotr Nowak said that debt issuances on the main foreign market (EUR, USD) that play supplementary role are considered as well as loans from international institutions (mainly the European Investment Bank). He added the issuing of the T-bills is likely to take off some pressure from the bond market.

For **today**, Fitch planned it could announce Poland rating review but in our view there will be no statement released owing to high uncertainty related to the economic outlook. This was the case with Moody's two weeks ago.

US initial jobless claims (in thousands)



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.5419	CZKPLN	0.1672
USDPLN	4.1123	HUFPLN*	1.2810
EURUSD	1.1044	RUBPLN	0.0530
CHFPLN	4.2730	NOKPLN	0.3884
GBPPLN	5.0348	DKKPLN	0.6083
USDCNY	7.0780	SEKPLN	0.4140

*for 100HUF

Last session in the FX market 26/03/2020

	min	max	open	close	fixing
EURPLN	4.529	4.598	4.567	4.532	4.5962
USDPLN	4.104	4.207	4.206	4.111	4.1988
EURUSD	1.086	1.105	1.086	1.102	-

Interest rate market 26/03/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2L)	0.83	1	5.03.2020	OK0722	1.225
DS0725 (5L)	1.27	-1	5.03.2020	PS1024	1.431
DS1029 (10L)	1.77	-7	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	0.69	2	0.67	1	-0.30	-1
2L	0.72	0	0.50	-2	-0.27	2
3L	0.73	1	0.48	-4	-0.23	1
4L	0.77	0	0.50	-5	-0.17	3
5L	0.83	-2	0.53	-6	-0.11	4
8L	0.98	-1	0.65	-6	0.04	4
10L	1.04	-3	0.71	-6	0.12	4

WIBOR rates

Term	%	Change (bps)
O/N	0.79	0
T/N	0.91	11
SW	1.01	0
2W	1.03	-1
1M	1.14	0
3M	1.17	0
6M	1.19	-1
9M	1.80	0
1Y	1.23	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.85	7
3x6	0.67	4
6x9	0.49	2
9x12	0.41	1
3x9	0.69	0
6x12	0.53	-1

Measures of fiscal risk

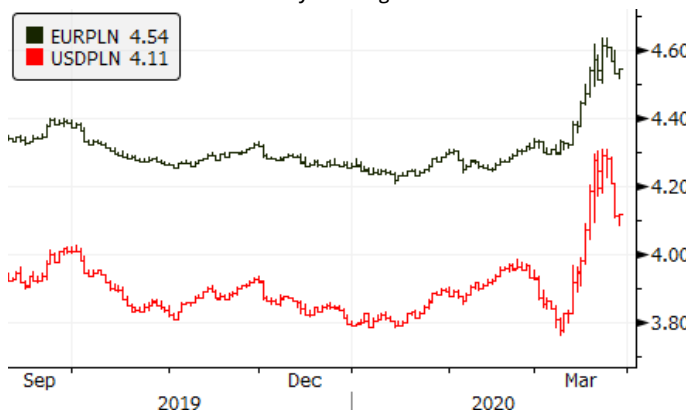
Measures of financial risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.13	3
France	41	-3	0.37	-11
Hungary			2.64	0
Spain	103	-18	0.93	-21
Italy	168	-25	1.59	-22
Portugal	99	-17	1.07	-24
Ireland	44	-2	0.48	-10
Germany	20	0	-	-

* 10Y treasury bonds over 10Y Bunds

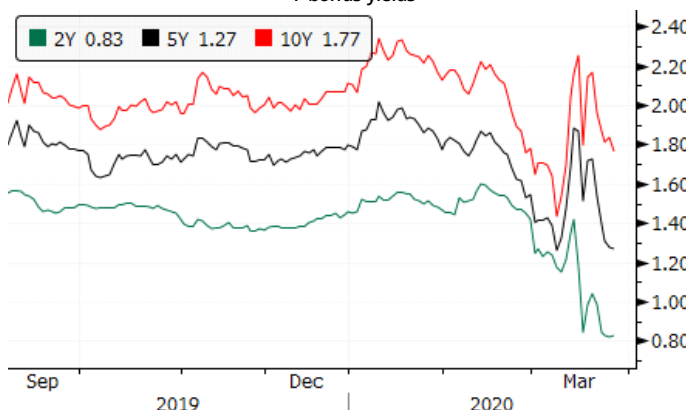
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

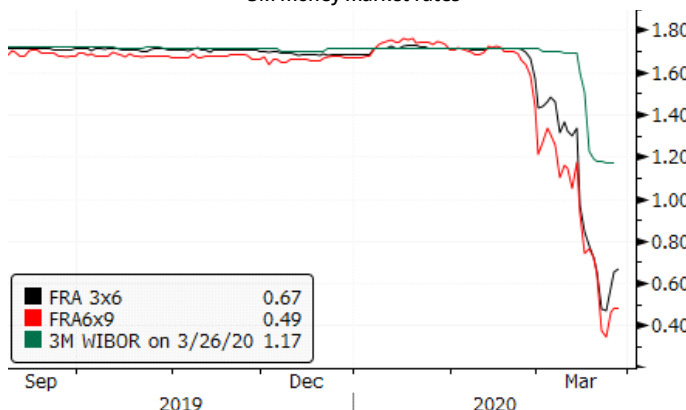
Zloty exchange rate



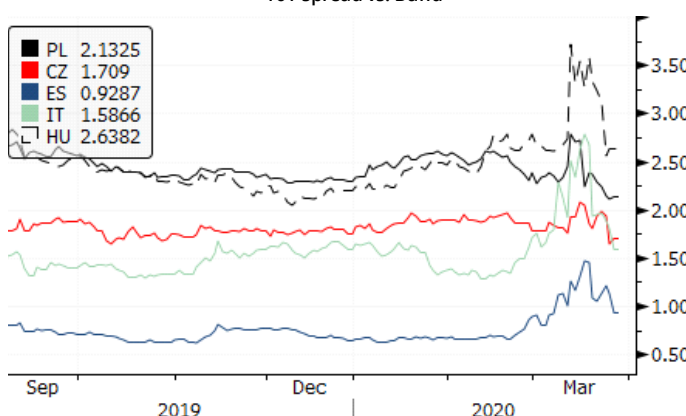
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar									
TIME					FORECAST		ACTUAL	LAST	
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (20 March)									
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	
MONDAY (23 March)									
11:00	PL	Bond switch auction							
14:00	PL	Money supply	Feb	% y/y	8.7	9.1	9.4	9.3	
TUESDAY (24 March)									
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	
WEDNESDAY (25 March)									
10:00	DE	Ifo index	Mar	pts	-	-	86.1	87.7	
13:30	US	Durable goods orders	Feb	% m/m	-1.0	-	1.2	0.1	
THURSDAY (26 March)									
13:00	CZ	Central bank decision		%	1.25	-	1.00	1.75	
13:30	US	Initial jobless claims	week	k	1640	-	3283	281	
13:30	US	GDP 3rd estimate	4Q	% y/y	2.1	-	2.1	2.1	
FRIDAY (27 March)									
	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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