

30 March 2020

# Eyeopener

## How much are ESI indicators going to fall?

Moods somewhat better at the start of the week  
 Fitch did not change Poland's credit assessment  
 Borys: Polish GDP could fall by 5-10% in 2Q20  
 Polish bonds stable, PLN slightly stronger  
 Today ESI indicators

After a few days of better sentiment, on Friday markets started trading nervously again: equity futures started the day with declines, similarly as commodities (both precious metals, industrial and energy materials) and EM currencies (particularly those being commodity exporters). Against this background, the zloty's stability could be viewed as a success. In the USA the February PCE deflator (headline and core) surprised slightly to the upside, amid upward revisions of historical data. In turn, March reading of consumer confidence from University of Michigan fell from 95.9 to 89.1. The central bank of China cut reverse repo rate by 20bp to 2.20%. Today in the morning investors' sentiment seem to be slightly better than last week.

**Fitch rating** agency kept Polish credit score at A- with stable outlook. The agency's analysts think it is likely that the fiscal rule will be broken in 2020, but do not plan to change the rating because of this. Poland is considered as relatively resilient to the coronavirus shock due to being a diversified and relatively closed economy, moderate development of the tourism sector, the status of net exporter, flexible exchange rate, balanced C/A and room for fiscal stimulus. The forecast of 2020 general government deficit was shown at 5% and 2021 at 3.3% of GDP.

According to **Paweł Borys**, head of Polish Development Fund, the decline of Polish GDP can reach 5-10% in 2Q and a rebound will start in 3Q and will more likely be U-shaped than V-shaped (so it will be rather slow). Development minister **Jadwiga Emilewicz** stated that further restrictions are possible due to the epidemic.

On Friday morning **EURUSD** continued gains which started at the beginning of the previous week, for most of the day remained above 1.10 (which happens to be a 50 day moving average) and even touched 1.11 (200 day moving average). However, the worsening market sentiment made USD strengthen and towards end of Friday EURUSD traded again below 1.10. The plethora of important technical levels in the vicinity of current spot suggests that the currency pair might consolidate at these levels in the nearest future.

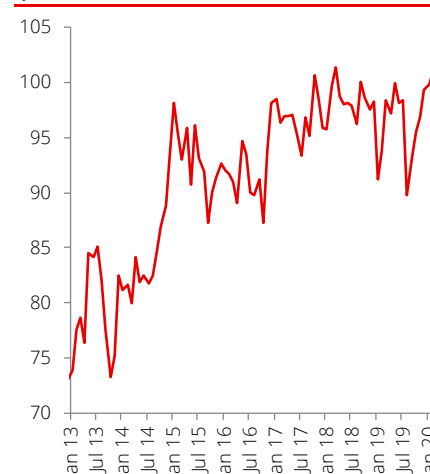
**EURPLN** was decreasing in the first half of Friday and then remained near 4.53. If the global market sentiment improves, then it is likely that EURPLN will trade down to 4.50 and even below. We would like to emphasise that any gains of the zloty should be temporary, and in the medium term we expect further EURPLN rises due to slowing growth both in Poland and abroad.

The **other CEE currencies** were quite stable on Friday: EURHUF was hovering around 355.4, USDRUB near 79 though the latter showed some willingness to rise, particularly when the oil prices started to fall and this tendency could continue at the beginning of the new week. EURCZK closed at 27.3 without any major moves intraday. The whole region suffers from an economic slowdown and the CEE3 central banks launched or plan to start liquidity- and bond-supporting measures. Thus, the CEE currencies might be under pressure in the medium term.

On the **domestic interest rate market**, IRS and bond yields were pretty stable and the 10Y rates closed at 1.07% and 1.79%, respectively (asset swap spread at 72bp). At the same time, the spread vs Bund widened as the German 10Y bond yield fell to -0.49%. Tomorrow, the Ministry of Finance will announce which bond series will be offered at the Thursday's auction. FRA rates price in 50bp rate cut until the end of the year.

**This week**, we will see data on employment in the US. In Europe, China, Japan and in Poland final March PMIs will be released. In Poland, the stat office will publish flash March inflation.

USA – Michigan consumer confidence index (pts)



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.5310	CZKPLN	0.1658
USDPLN	4.0926	HUFPLN*	1.2696
EURUSD	1.1071	RUBPLN	0.0512
CHFPLN	4.2820	NOKPLN	0.3888
GBPPLN	5.0692	DKKPLN	0.6070
USDCNY	7.0964	SEKPLN	0.4117

\*for 100HUF

### Last session in the FX market 27/03/2020

	min	max	open	close	fixing
EURPLN	4.511	4.546	4.532	4.535	4.5246
USDPLN	4.067	4.132	4.111	4.072	4.1127
EURUSD	1.095	1.115	1.102	1.114	-

## Interest rate market 27/03/2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2L)	0.90	7	5.03.2020	OK0722	1.225
DS0725 (5L)	1.36	9	5.03.2020	PS1024	1.431
DS1029 (10L)	1.80	3	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	0.72	3	0.70	3	-0.31	-1
2L	0.77	5	0.50	0	-0.32	-3
3L	0.78	5	0.46	-2	-0.31	-4
4L	0.83	6	0.48	-2	-0.27	-5
5L	0.89	6	0.51	-3	-0.23	-5
8L	1.02	4	0.59	-6	-0.10	-8
10L	1.11	7	0.64	-7	-0.02	-8

## WIBOR rates

Term	%	Change (bps)
O/N	0.84	5
T/N	0.92	1
SW	1.01	0
2W	1.03	0
1M	1.14	0
3M	1.17	0
6M	1.19	0
9M		
1Y	1.23	0

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

Term	%	Change (bps)
1x4	0.78	-7
3x6	0.65	-2
6x9	0.52	4
9x12	0.48	7
3x9	0.72	3
6x12	0.58	4

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.31	6
France	39	-1	0.43	2
Hungary			2.79	4
Spain	91	2	1.04	3
Italy	155	3	1.83	3
Portugal	87	2	1.16	2
Ireland	41	2	0.52	3
Germany	22	-1	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

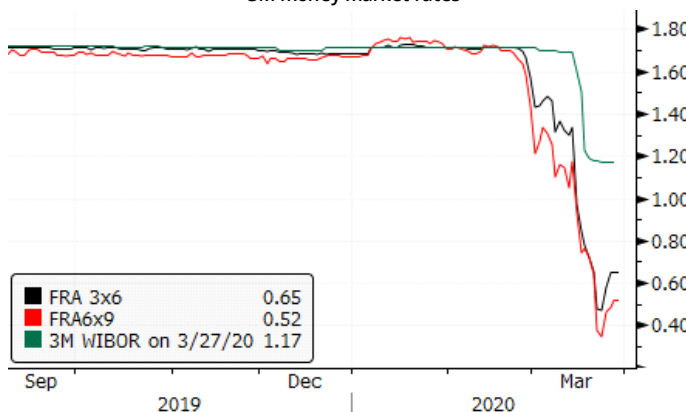
## Zloty exchange rate



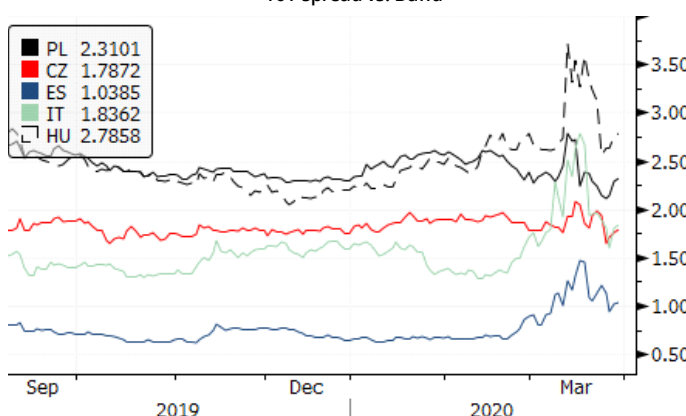
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (27 March)								
13:30	US	Personal Spending	Feb	% m/m	0.2		0.2	0.2
13:30	US	Personal Income	Feb	% m/m	0.4		0.6	0.6
13:30	US	PCE Deflator SA	Feb	% m/m	0.1		0.1	0.1
15:00	US	Michigan index	Mar	pts	90.0		89.1	95.9
MONDAY (30 March)								
11:00	EZ	ESI	Mar	pct.	93.05		-	103.5
14:00	DE	HICP	Mar	% m/m	0.1		-	0.6
16:00	US	Pending Home Sales	Feb	% m/m	-1.75		-	5.2
TUESDAY (31 March)								
09:00	CZ	GDP SA	4Q	% y/y	1.8		-	1.8
10:00	PL	CPI	Mar	% y/y	4.4	4.4	-	4.7
11:00	EZ	Flash HICP	Mar	% y/y	0.8		-	1.2
16:00	US	Consumer Conference Board	Mar	pts	115.0		-	130.7
WEDNESDAY (1 April)								
09:00	PL	Poland Manufacturing PMI	Mar	pts	45.2	44.5	-	48.2
09:55	DE	Germany Manufacturing PMI	Mar	pts	45.5		-	45.7
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	44.6		-	44.8
11:00	EZ	Unemployment Rate	Feb	%	7.4		-	7.4
14:15	US	ADP report	Mar	k	-100.0		-	182.8
16:00	US	ISM manufacturing	Mar	pts	46.0		-	50.1
THURSDAY (2 April)								
14:30	US	Initial Jobless Claims	Mar.20	k	1700.0		-	3283.0
16:00	US	Durable Goods Orders	Feb	% m/m	0.0		-	1.2
16:00	US	Factory Orders	Feb	% m/m	-0.3		-	-0.5
FRIDAY (3 April)								
03:45	CN	Caixin China PMI Services	Mar	pts	39.5		-	26.5
09:55	DE	Markit Germany Services PMI	Mar	pts	34.3		-	34.5
10:00	EZ	Eurozone Services PMI	Mar	pts	28.2		-	28.4
11:00	EZ	Retail Sales	Feb	% m/m	0.2		-	0.6
14:30	US	Change in Nonfarm Payrolls	Mar	k	-61.0		-	273.0
14:30	US	Unemployment Rate	Mar	%	3.8		-	3.5
16:00	US	ISM services	Mar	pts	48.0		-	57.3

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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