

3 April 2020

Eyeopener

Disastrous US labour market data

Disastrous US labour market data

Saudi Arabia and Russia likely to make deal on oil output

Dollar and zloty stronger

Today PMI in services, non-farm payrolls in the USA

Thursday started on the markets in a positive mood, stock exchanges awaited finally a larger rebound. The gains happened to be small however, and before the US jobs market data release most of them were wiped out. In the USA there was a dramatic print of initial jobless claims, more than 6.6mn, more than double the previous week's reading (3.3mn), which had already been considered high, and way above expectations (3.8mn). In total, in the last two weeks in the USA 10mn people lost their jobs. After the data the dollar started to rise (dollar index up from 99.6 to 100.3), equities fell and gold got more expensive. Oil seemed a favoured asset – getting higher in the morning after news that China wants to take advantage of low price and increase strategic reserves. Late in the afternoon Donald Trump said that Saudi Arabia and Russia were going to agree on cutting oil output (by 10-15mn barrels per day) which made oil price go up by 23% at some point, to US\$25/bbl (WTI). Higher oil prices were perceived as positive news by equities, which managed to finish the day in green. If the news on agreement is confirmed the higher oil price will reduce the pressure on EM currencies and may cause a long-awaited correction. However due to the huge oversupply (estimated at 15-30mn barrels per day), similar to the mentioned potential output cuts, we suggest limited optimism.

Fitch agency lowered Polish GDP forecast for 2020 to -0.6% from 1.8%. The forecast for 2021 was raised to 3.8% from 3.2%.

EURUSD opened around 1.095 after which it started to move down – this was already the fourth day of its decline. Poor US labour market data increased the appreciation of the dollar and EURUSD dropped to 1.087. We expect the dollar to turn even stronger together with the deepening slowdown in the USA and the growing risk of further risk assets' sell-offs.

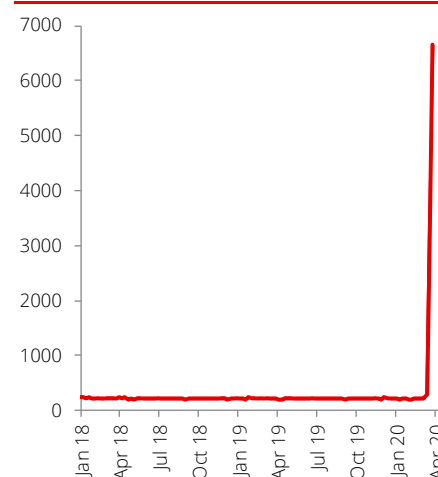
On Thursday morning **EURPLN** opened below 4.60 and in the next hours continued its downward trend. The fact that zloty has not weakened in the afternoon after disastrous US labor market data and even slightly gained – EURPLN dropped to 4.569 suggests that the currency pair might be overbought. As a result we can expect a EURPLN correction lower in the coming days. If this scenario materialises, from technical perspective the currency pair should decline to 4.50 level.

As to the other CEE currencies, **EURHUF** opened slightly above 364.0, close to the previous day's high. During the day Hungarian central bank again contributed to more hawkish financing conditions in the money markets (last time it did so in February 2020) thanks to which the currency pair dropped temporarily to as low as 360.0. Towards end of the day it rebounded back to 363.0. EURCZK slightly increased to 27.65. USDRUB recorded an interesting session as it climbed during the day to 79.2 from 77.8, by 1.7% mostly due to the stronger dollar. However in the afternoon, after information came out that Russia and Saudi Arabia might try to work to curb oil supply again – USDRUB declined back to 78.0. If the initial news are confirmed the bigger correction towards 72.0 cannot be excluded.

On the **domestic interest rate market** IRS were calm again and barely moved (5Y at 0.86%, 10Y at 1.05%). Bonds did not perform good amid both local and global factors. The results of the bond auction were rather poor: the Ministry of Finance sold bonds for only PLN5.1bn amid demand at PLN8bn at the prices even below the secondary market seen before the auction. After auction results were announced, prices fell even further. As a result, the 10Y bond yield rose 6bp to 1.78%. The UST curve did not change much and the 10Y yield closed at 0.60%. The German curve shifted up again with the 10Y Bund closing the day at -0.43%. Polish 10Y asset swap spread widened by 6bp to 72bp and spread vs Bund by 3bp to 221bp. After the yesterday's bond auction, this year's gross borrowing needs are covered in 91% but this refers to zero budget deficit currently in the budget bill. However, due to the corona crisis, this year's borrowing needs will be much larger and so the coverage ratio could now stand closer to 50%.

Today we will see euro zone and German final services PMIs, in the US the services ISM and the most awaited change of the monthly nonfarm payrolls.

US initial jobless claims, k



Source: Bloomberg, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 22 534 18 87
Marcin Łuziński +48 22 534 18 85
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 19 23
Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4,5670	CZKPLN	0,1665
USDPLN	4,2169	HUFPLN*	1,2443
EURUSD	1,0829	RUBPLN	0,0544
CHFPLN	4,3313	NOKPLN	0,4034
GBPPLN	5,2165	DKKPLN	0,6105
USDCNY	7,0857	SEKPLN	0,4155

*for 100HUF

Last session in the FX market 02.04.2020

	min	max	open	close	fixing
EURPLN	4,556	4,603	4,601	4,566	4,577
USDPLN	4,176	4,220	4,204	4,204	4,192
EURUSD	1,084	1,096	1,094	1,086	-

Interest rate market 02.04.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	1,16	24	5.03.2020	OK0722	1,225
PS1024 (5Y)	1,33	4	5.03.2020	PS1024	1,431
DS1029 (10Y)	1,72	3	5.03.2020	DS1029	1,725

IRS on the interbank market**

RIS on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,66	-2	0,63	-2	-0,37	1
2L	0,73	-1	0,46	-1	-0,30	1
3L	0,72	-4	0,44	0	-0,29	1
4L	0,79	-1	0,48	1	-0,26	1
5L	0,85	-1	0,53	3	-0,22	1
8L	0,98	-1	0,60	-1	-0,11	0
10L	1,04	-1	0,65	-1	-0,03	0

WIBOR rates

Term	%	Change (bps)
O/N	0,90	2
T/N	0,99	10
SW	1,01	0
2W	1,02	0
1M	1,13	-1
3M	1,17	0
6M	1,18	0
1Y	1,23	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0,82	3
3x6	0,58	-3
6x9	0,46	-5
9x12	0,47	2
3x9	0,60	-2
6x12	0,50	-4

Measures of fiscal risk

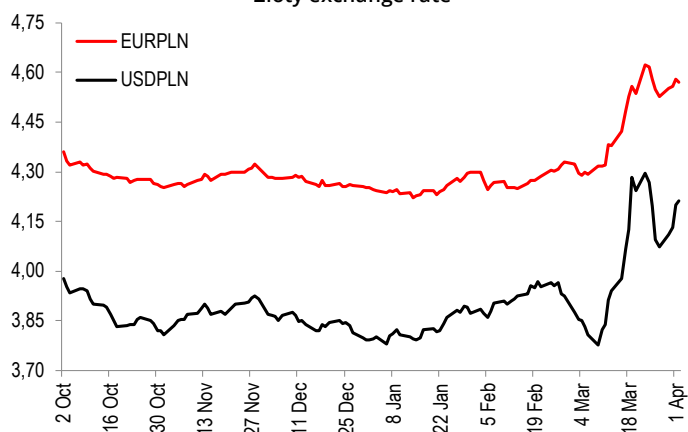
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	219	5
France	26	0	48	3
Hungary	78	1	329	23
Spain	104	0	118	4
Italy	130	-5	202	3
Portugal	70	0	133	4
Ireland	38	0	64	10
Germany	19	0	-	-

* 10Y treasury bonds over 10Y Bunds

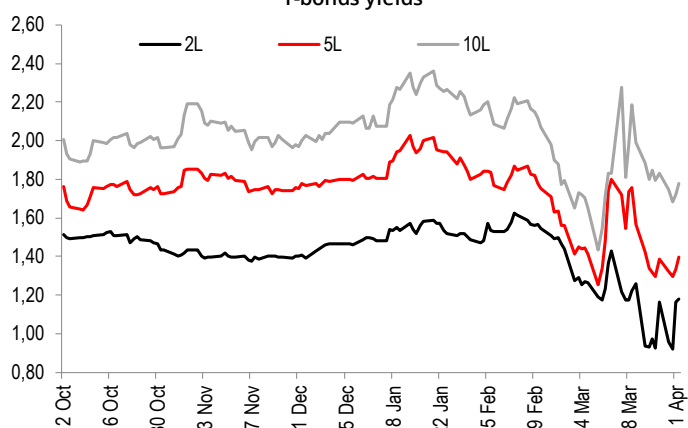
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

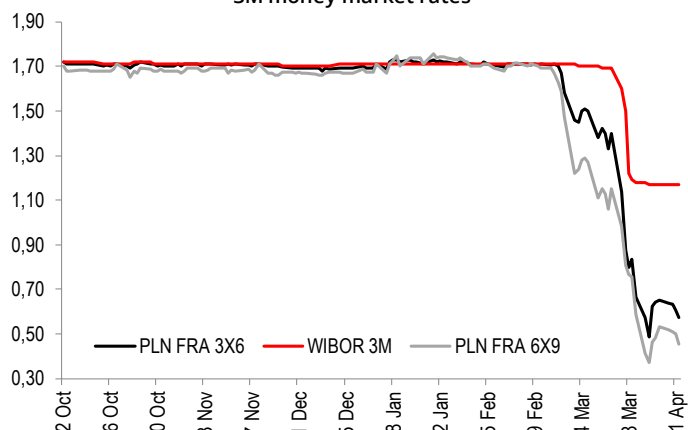
Zloty exchange rate



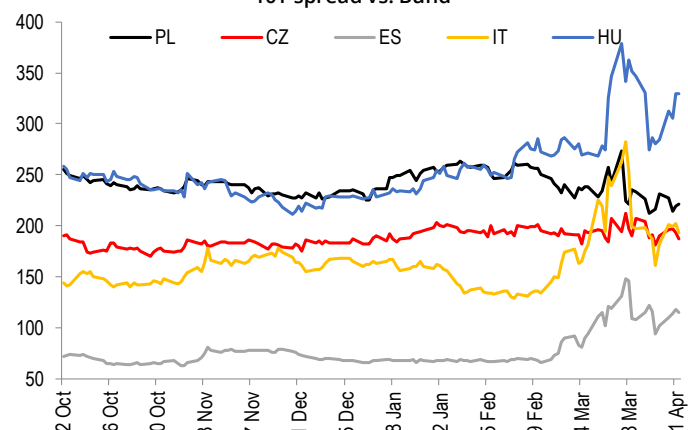
T-bonds yields



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.	91.6		94.5	103.4
14:00	DE	HICP	Mar	% m/m	0.1		0.1	0.6
16:00	US	Pending Home Sales	Feb	% m/m	-1.8		.4	5.3
TUESDAY (31 March)								
09:00	CZ	GDP SA	4Q	% y/y	1.8		2.0	1.8
11:00	EZ	Flash HICP	Mar	% y/y	0.8		0.7	1.2
16:00	US	Consumer Conference Board	Mar	pts	110.0		120.0	132.6
WEDNESDAY (1 April)								
09:00	PL	Poland Manufacturing PMI	Mar	pts	45.2	44.5	42.4	48.2
09:55	DE	Germany Manufacturing PMI	Mar	pts	45.5		45.5	45.7
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	44.6		44.5	44.8
11:00	EZ	Unemployment Rate	Feb	%	7.4		7.3	7.4
14:15	US	ADP report	Mar	k	-150.0		-27.0	179.0
16:00	US	ISM manufacturing	Mar	pts	44.5		49.1	50.1
THURSDAY (2 April)								
14:30	US	Initial Jobless Claims	Mar.20	k	3300.0	6648.0	-	3283.0
16:00	US	Durable Goods Orders	Feb	% m/m	0.0	1.2	-	1.2
16:00	US	Factory Orders	Feb	% m/m	-0.3	0.0	-	-0.5
FRIDAY (3 April)								
03:45	CN	Caixin China PMI Services	Mar	pts	39.5	43.0	-	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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.