

6 April 2020

Eyeopener

Important voting in Polish Parliament

Market mood volatility still elevated
EURPLN still only slightly below 4.60
Polish bonds and IRS down
Today important voting in Sejm

On Friday at the opening, market sentiment was positive as there were growing hopes about a possible deal to reduce oil output between Russia, Saudi Arabia and the USA at the start of this week. WTI oil price rose by 4% and Brent price by 10%. Stock indexes tried to secure positive growth, but eventually ended the day with minor declines of c1% in Europe and the USA. Stock indexes of emerging markets were stable in most cases. Among commodities, industrial metals prices were also going up together with oil, with copper price adding c2%. EM currencies showed various behaviour: currencies of commodity exporters gained (like Indonesian rupiah, Colombian peso, Russian ruble). Others were weakening, including in the CEE, but excluding the zloty. Services PMIs were reported in China and the USA (better than expected) and the euro zone and Germany (worse than the consensus). In the USA, non-farm payrolls dropped by 700k showing that the US economy is facing many challenges while the stock exchange and the dollar should be ready for more volatility. However, this morning the overall market sentiment seems positive.

EURUSD on Friday opened at 1.085 and at the beginning of the day it seemed like the 5th day in a row of consecutive declines is relatively unlikely and a rebound higher is due. Weak US labor market data have not helped the pair however and the EURUSD declined to 1.0760 afterwards. Then in the Friday evening the pair bounced back above 1.08 and today in the morning opens at 1.083.

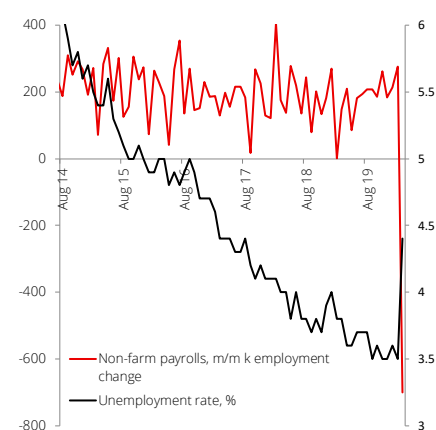
EURPLN has remained in a narrow range for most of the Friday – opened at 4.57 and this was also Polish closing level. Given poor US labor market data and weak Polish economy outlook this price behavior might suggest that the currency pair is slightly overbought and/or gains as most other EM currencies in the hope of Russia-Saudi Arabia possible oil supply cut deal. On Monday open the EURPLN managed to decline below 4.57 thanks to improved mood on the equities side.

As regards other CEE currencies, EURHUF has continued rising, as foreign investors apparently did not like the political developments in Hungary and kept selling assets – bond yields rising, forint weakening – EURHUF closed at 366.0. Czech koruna was also performing poorly, closing at 25.7. On today's open both currencies strengthened slightly. Last Friday the ruble basket appreciated by 4% since the President Trump's tweet from the previous day, suggesting positive outcome of talks about oil supply curb. However, due to the stronger dollar, USDRUB fell only by 2.5%, to 77.0. The road to agreement between Saudi Arabia and Russia seems to be bumpy, but if it materialises the USDRUB could undergo a deeper correction, to 72.0.

On the domestic interest rate market, IRS rates fell markedly after two days of stability – the curve went down by more than 10bps, and 10Y rate ended the day at 0.93% as compared to 1.05% the day before. Bond yields moved in the same direction, with the yield curve shifting down by 9bp and 2/5/10Y tenors ending the day at 0.90%, 1.30% and 1.68%, respectively (the last one from 1.77% on Friday morning). Core market yields remained stable – German Bunds changed no more than 1bp (10Y paper at -0.43%). Interestingly, 30Y bond yield increased to -0.04% from 0.10% the day before. In the USA the better part of the curve was hovering in a narrow range, while 10Y bond yield went down by 2bp to 0.58%. Polish 10Y asset swap widened to 75bp and spread vs Bund narrowed by 10bp to 211bp.

This week we will not get to know many important statistics, and these present in the calendar will refer to the pre-virus time. **Today the Sejm** is to vote whether to allow correspondence voting in the upcoming presidential election. This could decide whether the election will be conducted on 10 May and whether the ruling coalition remains stable. We would rather expect EURPLN to rise above 4.63 rather than fall below 4.50 in the upcoming weeks. Polish bond yields should remain low, in our view.

US labour market data



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.5588	CZKPLN	0.1640
USDPLN	4.2153	HUFPLN*	1.2501
EURUSD	1.0811	RUBPLN	0.0550
CHFPLN	4.3110	NOKPLN	0.3999
GBPPLN	5.1641	DKKPLN	0.6102
USDCNY	7.0908	SEKPLN	0.4153

*for 100HUF

Last session in the FX market 4/3/2020

	min	max	open	close	fixing
EURPLN	4.554	4.587	4.570	4.577	4.579
USDPLN	4.211	4.252	4.216	4.240	4.240
EURUSD	1.077	1.085	1.084	1.079	-

Interest rate market 4/3/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	1.18	2	5.03.2020	OK0722	1.225
PS1024 (5Y)	1.40	6	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.78	6	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	0.60	-6	0.63	0	-0.37	0
2L	0.63	-10	0.47	0	-0.30	-1
3L	0.64	-8	0.44	0	-0.30	-1
4L	0.69	-10	0.47	-1	-0.27	-2
5L	0.75	-11	0.51	-2	-0.24	-2
8L	0.89	-10	0.62	2	-0.06	5
10L	0.93	-11	0.65	-1	0.42	44

WIBOR rates

Term	%	Change (bps)
O/N	1.01	11
T/N	1.02	3
SW	1.01	0
2W	1.02	0
1M	1.13	0
3M	1.17	0
6M	1.18	0
1Y	1.23	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.74	-8
3x6	0.49	-9
6x9	0.39	-7
9x12	0.34	-13
3x9	0.51	-9
6x12	0.42	-8

Measures of fiscal risk

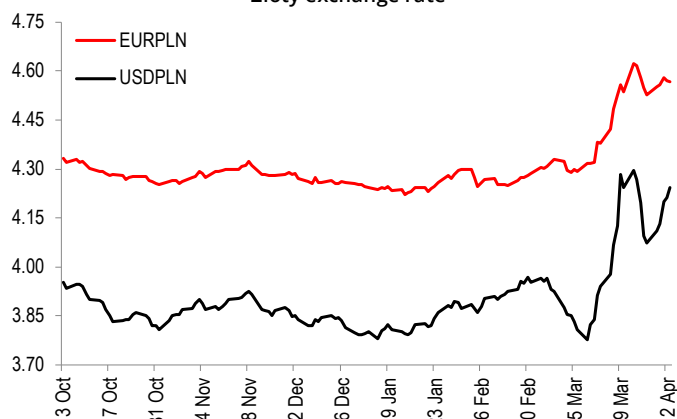
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	222	3
France	27	1	48	0
Hungary	78	0	330	1
Spain	107	3	115	-3
Italy	138	8	193	-9
Portugal	75	5	127	-6
Ireland	38	0	65	1
Germany	19	0	-	-

* 10Y treasury bonds over 10Y Bunds

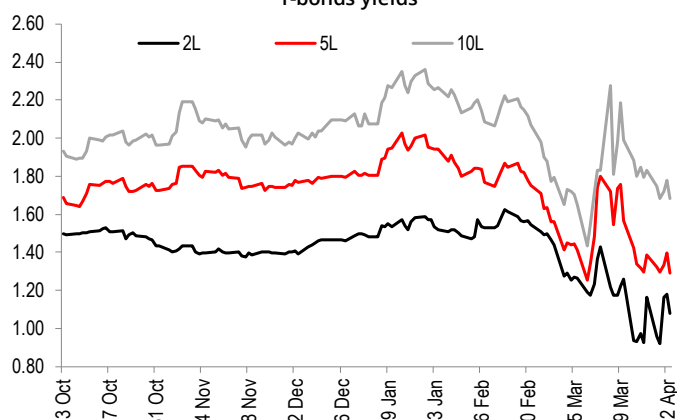
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

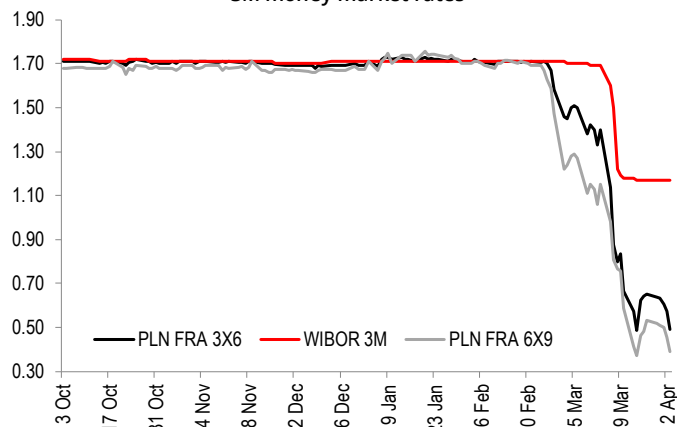
Zloty exchange rate



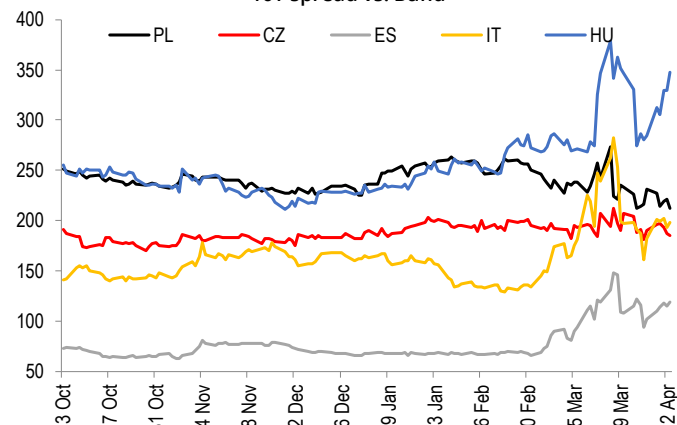
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (3 April)							
03:45	CN	Caixin China PMI Services	Mar	pts	39.0	46.7	26.5
09:55	DE	Markit Germany Services PMI	Mar	pts	34.2	31.7	34.5
10:00	EZ	Eurozone Services PMI	Mar	pts	28.2	26.4	28.4
11:00	EZ	Retail Sales	Feb	% m/m	0.1	0.9	0.6
14:30	US	Change in Nonfarm Payrolls	Mar	k	-100.0	-701	273.0
14:30	US	Unemployment Rate	Mar	%	3.8	8.7	3.5
16:00	US	ISM services	Mar	pts	43.0	52.5	57.3
MONDAY (6 April)							
08:00	DE	Factory Orders	Feb	% m/m	-0.3	-1.4	4.8
09:00	CZ	Industrial Production	Feb	% y/y	-1.5	-0.9	-1.3
TUESDAY (7 April)							
08:00	DE	Industrial Production SA	Feb	% m/m	0.0	-	3.0
09:00	HU	Industrial Production SA	Feb	% y/y	-	-	2.74
WEDNESDAY (8 April)							
	PL	MPC decision		%	1.0	1.0	1.0
09:00	HU	CPI	Mar	% y/y	0.0	-	4.4
20:00	US	FOMC Meeting Minutes	Mar.20		-	-	0.0
THURSDAY (9 April)							
08:00	DE	Exports SA	Feb	% m/m	-	-	0.1
14:30	US	Initial Jobless Claims		k	3700	-	3283
16:00	US	Michigan index	Apr	pts	82.0	-	89.1
FRIDAY (10 April)							
14:30	US	CPI	Mar	% m/m	-0.3	-	0.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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