

7 April 2020

Eyeopener

Positive mood persists on the market

Investors still in good moods
Hot day in Polish Parliament
Zloty and its CEE peers gain
Polish yields down

On Monday the sentiment on global markets was positive (stock indexes in developed markets rose by 3-5%, EM currencies strengthened), as in some countries the daily increase of Covid-19 cases declined. What is more, the markets are still hoping for a Russia-Saudi Arabia deal on a significant reduction of oil output (of c10mn barrels), even if the meeting has been moved by three days to Thursday.

Monday was a turbulent day in Polish parliament. Due to the conflict about the timing of presidential elections, scheduled for 10 May, deputy PM Jaroslaw Gowin submitted his resignation. But his party Porozumienie did not leave the ruling coalition "United Right" and so the government did not lose majority in the parliament. Development minister Jadwiga Emilewicz has been proposed to replace Gowin as deputy PM. Sejm initially rejected the motion to debate on PiS proposal allowing postal voting. But in the evening PiS submitted new, slightly changed project, which has been approved. The proposal says that the postal vote will be the only possible way to take part in presidential elections. It also gives the Sejm Speaker the power to change the election date during the state of epidemic. Still, the new date has to be in line with guidelines set by the Constitution, which means that 17 May is the latest possible moment. Until now the change of election date was possible only due to introduction of state of emergency.

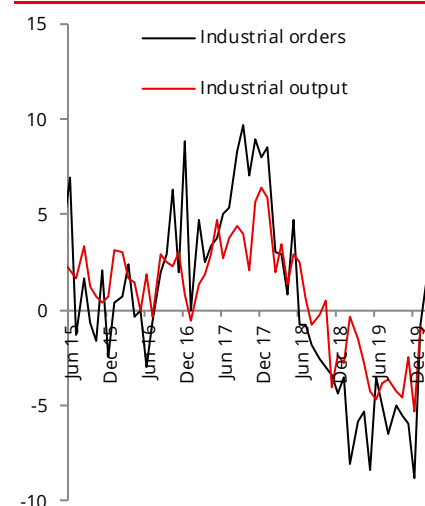
EURUSD had a very calm session, with short-term realised volatility below long-term average, e.g. 1-week was below 5%, which could mean a few more patient sessions ahead. After opening at 1.082 the rate was hovering in a narrow range of 1.078-1.084 and ended the day at 1.08. More important data is due for release on Thursday (US new vacancies).

EURPLN, having opened around 4.585, dropped visibly in the first part of the day on the wave of improved sentiment – at times even by 1%, to slightly above 4.54. Later on the day, the exchange rate rebounded and stabilised and closed around 4.57. In a broader context, the exchange rate is holding in a tight 4.50-4.60 range. USDPLN closed at 4.23 and CHFPLN at below 4.33.

As regards other CEE currencies, most of them was appreciating on Monday, gaining together with their EM peers. The forint gained 0.7% vs the euro and closed at 363.7, the koruna gained 1% and finished the day at 27.53. The ruble basket declined by 1.3% and USDRUB by 1% to 76.3. Realised volatility (1W around 18%) and implied volatility, >20%, remain at a high level. The ruble gained despite decreasing oil prices (Brent down by 4.5%).

On the domestic interest rate market, the IRS after having gapped lower on Friday, stabilized and on Monday have barely changed (2Y increased by 2bp). Bond yields increased 2-3bp in the first half of the day, however later on gave back all gains and closed even lower on the day eg. 10Y down 4bp to 1.64%. Both curves flattened while the 10Y asset swap spread narrowed 4bp to 71bp. The behavior of yields on core markets varied. The German curve remain almost unchanged (Bund yield just 1bp higher to -0.42%) and as a result the 10Y PL-DE spread narrowed by 5bp to 206bp. In the US the yields noticeably increased along the curve by roughly 5-7bp and the 10Y closed at 0.65%. Polish FRA markets price in 40bp cuts on the nearest NBP meeting. We think the NBP will not decide to change rates on Wednesday because of too few data prints covering the period in which the virus might have influenced the economy. Also NBP might want to keep some ammunition for later. After the decision there will be no conference, we think however that the communicate will emphasize the possibility of taking further actions if needed. As a result we do not expect the FRA pricing regarding room to cut rates later in the year to change significantly after this week's meeting.

German industry data



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.5311	CZKPLN	0.1649
USDPLN	4.1729	HUFPLN*	1.2515
EURUSD	1.0858	RUBPLN	0.0554
CHFPLN	4.2835	NOKPLN	0.4053
GBPPLN	5.1344	DKKPLN	0.6068
USDCNY	7.0611	SEKPLN	0.4156

*for 100HUF

Last session in the FX market 4/6/2020

	min	max	open	close	fixing
EURPLN	4.540	4.584	4.581	4.560	4.561
USDPLN	4.195	4.240	4.235	4.221	4.226
EURUSD	1.077	1.083	1.081	1.081	-

Interest rate market 4/6/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	1.08	-10	5.03.2020	OK0722	1.225
PS1024 (5Y)	1.29	-11	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.68	-10	5.03.2020	DS1029	1.725

IRS on the interbank market**

IRS on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.62	2	0.65	2	-0.35	2
2L	0.66	3	0.49	3	-0.30	1
3L	0.66	2	0.48	4	-0.29	1
4L	0.71	2	0.51	5	-0.26	2
5L	0.76	1	0.55	5	-0.22	1
8L	0.88	-1	0.65	3	-0.10	-5
10L	0.95	1	0.71	6	-0.02	1

WIBOR rates

Term	%	Change (bps)
O/N	1.03	2
T/N	1.03	1
SW	1.03	2
2W	1.03	1
1M	1.13	0
3M	1.17	0
6M	1.17	-1
1Y	1.23	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.78	4
3x6	0.58	9
6x9	0.41	2
9x12	0.38	4
3x9	0.52	1
6x12	0.42	1

Measures of fiscal risk

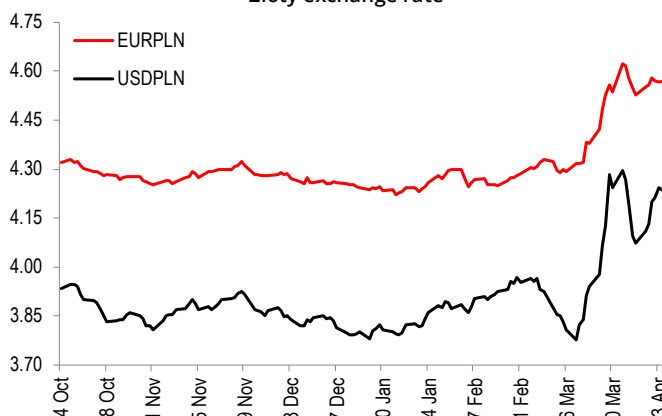
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	212	-10
France	26	-1	51	3
Hungary	78	0	348	18
Spain	107	0	118	4
Italy	139	1	198	5
Portugal	75	0	131	4
Ireland	38	0	68	3
Germany	20	0	-	-

* 10Y treasury bonds over 10Y Bunds

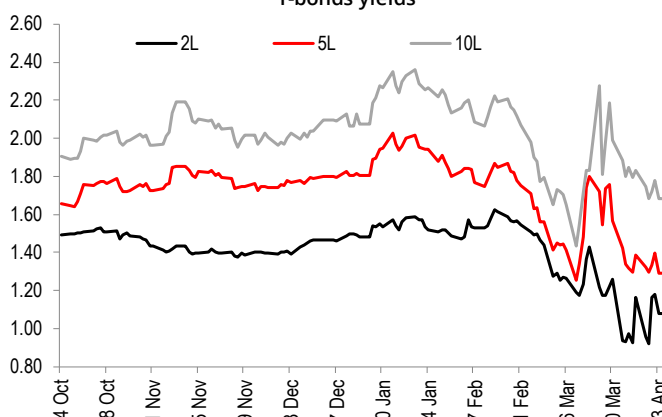
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

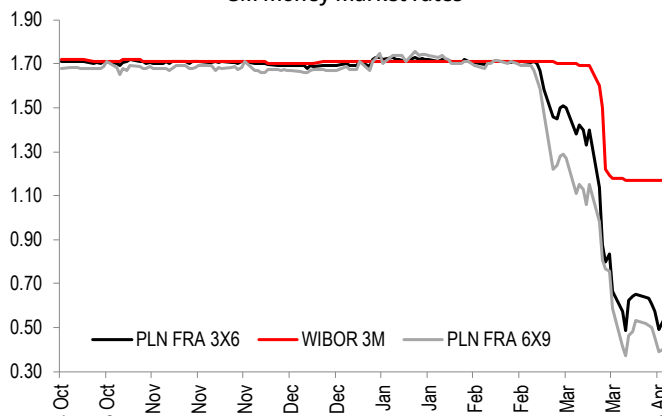
Zloty exchange rate



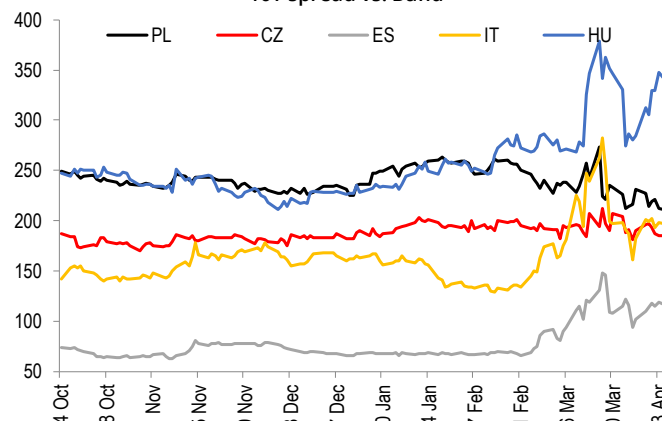
T-bonds yields



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	-2.5	-1.4	4.8
09:00	CZ	Industrial Production	Feb	% y/y	-0.9	-0.9	-1.3
TUESDAY (7 April)							
08:00	DE	Industrial Production SA	Feb	% m/m	-0.8	-	0.3
09:00	HU	Industrial Production SA	Feb	% y/y	1.8	-	1.7
13:00	HU	Central bank decision					
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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