

9 April 2020

Eyeopener

MPC and government boost support

MPC cuts rates again, government extends the shield
Yields and IRS down after the MPC decision
EURPLN still in 4.50-4.63 range
Today US data

Global stock market is still dominated by uncertainty – yesterday European equities were going down after euro zone finance ministers failed to agree on coordinated actions against the coronavirus (mutual debt). On the other hand US stock markets went up after the Congress discussed new fiscal stimulus worth USD500bn. After the initial proposal put forward by Steven Mnuchin (USD250bn for SME), the Speaker Nancy Pelosi trumped up this sum by proposing additionally USD100bn for hospitals and USD150bn for states making it USD500bn in total, a sum which is currently discussed. The dollar index did not change much, core market yields went down a bit. EM currencies were not following a common trend, some (e.g. Latam) were gaining, other (India, CEE3) were weakening. Commodities' prices went up slightly, with oil and copper growing +3%. FOMC minutes released yesterday in the evening showed that Committee members expect rates to remain at the current level until the epidemic is contained and until the central bank's target of stabilising prices and employment is not threatened.

Yesterday **the MPC cut rates by 50bp** (reference rate down to 0.50%), while the NBP asset purchasing programme was extended to include state-guaranteed bonds. Moreover, the government presented assumptions of the new lifeline programme assuming PLN100bn zero-interest loans for crisis-struck companies. About 60% of loans are meant to be converted into non-returnable subsidies, provided that companies meet certain criteria regarding employment numbers. The aim is to support Polish companies with cheap liquidity and to discourage them from layoffs. The programme is to be supervised by PFR (state-owned investment fund), and is to be financed by issuance of state-guaranteed bonds. In our view such a structure means no negative impact on general government debt and deficit in 2020, while the non-returnable part (PLN60bn) should appear in debt statistics later on (possibly in 2021). More in our [Economic Comment](#).

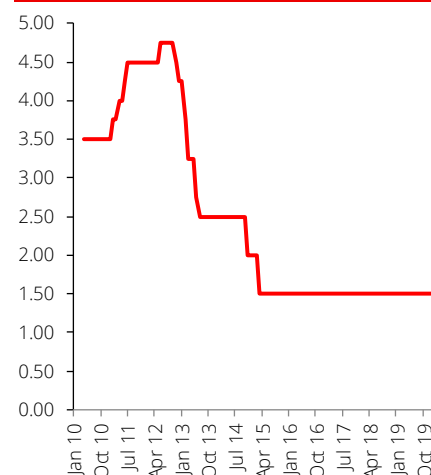
EURUSD was quite stable yesterday. Having opened at 1.09 it was moving down to 1.084, but by the end of the day it went to c1.087. The daily range narrowed in recent days – EURUSD moves between the Tuesday low and high waiting for an impulse.

EURPLN was very stable considering that yesterday NBP cut rates and a significant support package for companies was announced. The exchange rate started the day around 4.52, rose to 4.54 but closed below 4.53. In a broader context, the fx pair remains in the 4.50-4.63 range and is waiting for a stronger impulse, which will rather come from abroad.

CEE3 currencies were behaving similarly to the zloty. EURHUF remained close to 358 after falling by 2.5% the day before. EURCZK went down a bit and fell to 27.05 after opening at 27.15. The ruble basket was stable, and given the stable dollar USDRUB was oscillating around 75.45, awaiting today's talks on limiting oil output.

On the domestic interest rate market yields obviously declined on a day when the NBP cut rates by 50bp. The market rates changes were relatively small, especially in case of the FRA and IRS. One of the possible reasons might be that contrary to consensus expectations of economists, markets have since long priced further cuts (yesterday's cut was priced in roughly in 40bp two days before), hence one can say this time it's NBP which adjusted to the market and not the other way round. The swaps curve moved lower in parallel by 2bp (5Y to 0,75%, 10Y to 0,94%). Bond curve moved lower as well but by more, on top of that it has bull steepened, e.g. front end 2Y fell 15bp to 0,77%, while 10Y bond by 5bp to 1,56%. 10Y asset swap barely changed (slightly narrower to 62bp) while 10Y PL-DE spread narrowed by 4bp to 188bp, partially thanks to still stable German curve.

NBP main refi rate



Source: NBP, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.5301	CZKPLN	0.1669
USDPLN	4.1754	HUFPLN*	1.2626
EURUSD	1.0849	RUBPLN	0.0556
CHFPLN	4.2916	NOKPLN	0.4069
GBPPLN	5.1656	DKKPLN	0.6068
USDCNY	7.0681	SEKPLN	0.4139

*for 100HUF

Last session in the FX market 4/8/2020

	min	max	open	close	fixing
EURPLN	4.521	4.546	4.524	4.533	4.536
USDPLN	4.155	4.190	4.161	4.172	4.180
EURUSD	1.083	1.089	1.087	1.086	-

Interest rate market 4/8/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.81	-35	5.03.2020	OK0722	1.225
PS1024 (5Y)	1.22	-5	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.56	-5	5.03.2020	DS1029	1.725

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.63	-2	0.67	0	-0.29	3
2L	0.68	-2	0.50	-1	-0.24	1
3L	0.68	-1	0.50	-2	-0.23	0
4L	0.71	-2	0.53	-1	-0.20	0
5L	0.75	-1	0.59	0	-0.17	-1
8L	0.87	-2	0.75	4	-0.04	-1
10L	0.94	-3	0.82	5	0.04	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.09	2
T/N	1.08	1
SW	1.05	0
2W	1.05	0
1M	1.15	1
3M	1.17	0
6M	1.17	0
1Y	1.23	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.62	-13
3x6	0.49	-8
6x9	0.42	-2
9x12	0.43	1
3x9	0.53	-5
6x12	0.50	3

Measures of fiscal risk

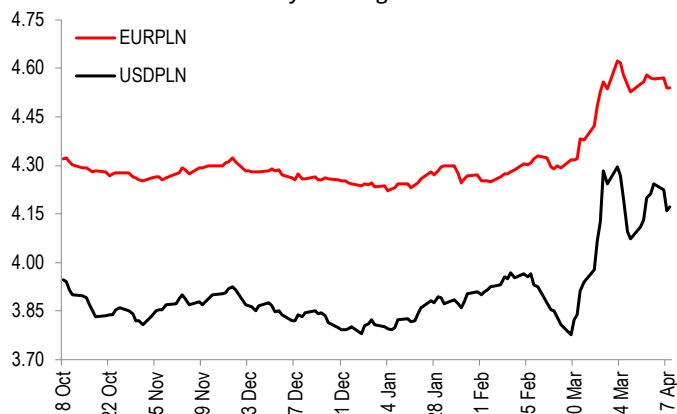
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	60	1	187	-6
France	27	1	48	0
Hungary	78	0	315	-12
Spain	109	2	115	3
Italy	142	3	197	5
Portugal	75	0	125	4
Ireland	38	1	63	-3
Germany	20	1	-	-

* 10Y treasury bonds over 10Y Bunds

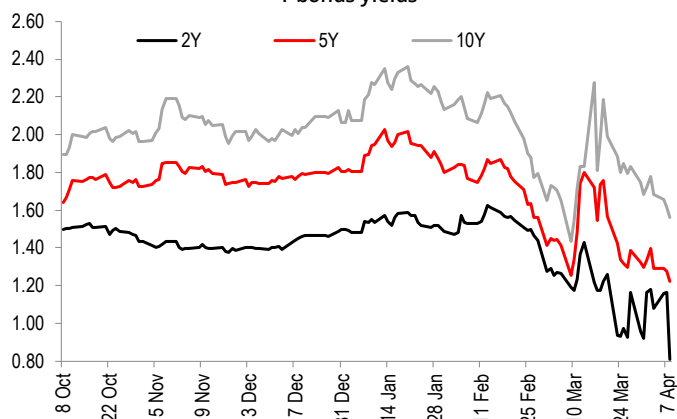
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

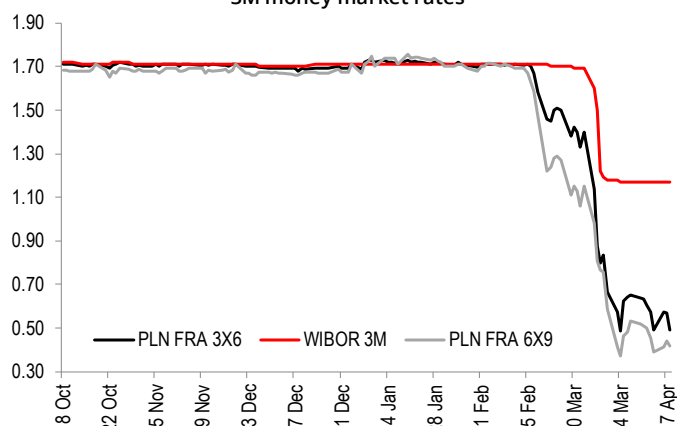
Zloty exchange rate



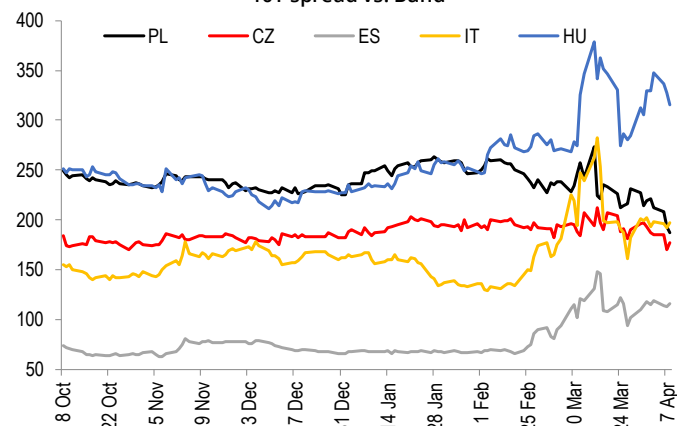
T-bonds yields



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		%	0.9	1.85	-
WEDNESDAY (8 April)							
	PL	MPC decision		%	1.0	1.0	0.5
09:00	HU	CPI	Mar	% y/y	3.6	-	3.9
20:00	US	FOMC Meeting Minutes					
THURSDAY (9 April)							
08:00	DE	Exports SA	Feb	% m/m	-	-	1.3
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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