

14 April 2020

Eyeopener

Waiting for the restart of economies

Fed launched another economic support program
 Zloty weaker vs the euro and CEE peers
 Domestic bonds stronger
 Today Polish C/A and Czech inflation

Market moods were quite positive on Thursday. Stock indices went up, but this did not stop bonds in posting gains. Rising risk appetite supported the EM currencies, with the zloty underperforming. The Fed announced a start of a loan programme worth USD2.3trn aimed at supporting companies and states in maintaining workplaces and assuring operation of government agencies. Last three weeks saw 15mn jobless claims in the USA (almost 10% of population aged 15-64 at the end of 2019). The OPEC+ group announced a 10% cut in oil output in May and June. The agreement was set for 2 years, with decreasing scale of output reduction. This, however, failed to increase the oil price. Euro zone countries have been recording a declining number of new Covid-19 infections, but some decided to prolong the lockdown by a couple of weeks. At the same time, there are some plans to “defreeze” economies, including Poland (plan to ease restrictions is to be set this week). Chinese data for March showed a subtle decline of exports in annual terms, and a stronger-than-expected slowdown in inflation..

MPC's Grażyna Ancyparowicz hopes that the GDP growth will be negative for only two quarters and thinks that deflation could appear in 2021. She does not exclude further rate cuts, even below zero but without tiering rates for banks. In her view, the MPC will surely not withdraw from anti-crisis measures before the year-end and monetary policy normalization will be a task for the next MPC. She suggested that the new credit-boost tools could be bank tax-free (but the government will make a final decision). Jerzy Kropiwnicki said he is against further rate cuts, including the required reserve ratio. He thinks the central bank should consider buying bonds from the primary market.

S&P rating agency confirmed Poland sovereign rating at A- with a stable outlook. S&P expects -2% GDP growth for 2020 and +4.8% for 2021. The fiscal deficit is expected to rise to 6.1% of GDP this year followed by a drop to 3.1% next year and the agency said it will tolerate this rise. In their view, central bank's bond buying program should secure financing of the deficit.

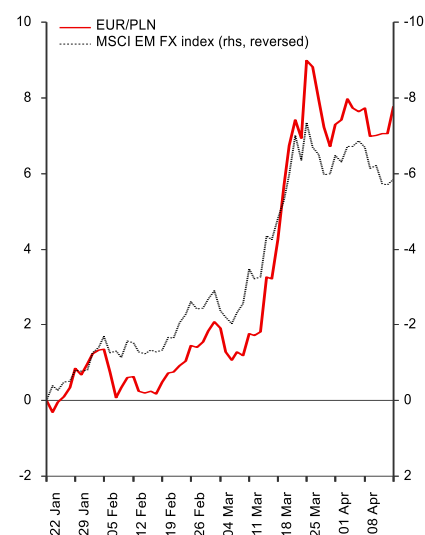
EURUSD rose on Thursday to 1.09 from 1.085. The daily amplitude was slightly higher than on Wednesday. The acceleration of the move higher coincided with the new Fed support programme. The pair was stable throughout the Easter holiday.

EURPLN has recently underperformed its regional peers. While EURHUF, EURCZK and USDRUB declined significantly by 1.0-1.5%, zloty weakened and EURPLN rose from 4.52 to temporarily above 4.56. Over a relatively short period of time Poland became the country with one of the lowest interest rates in the region (also those real ones) and it seems that this factor might further outperform forint, koruna or ruble. EURPLN today opens near Thursday's levels.

On the Polish **fixed income market** IRS and bond yields continued its move lower after the unexpected NBP rate cut. Both yield curves moved lower by another 5-10bp and it was only at the long end of the curves where record low yields have been not recorded. The WIBOR rates with tenors 1M to 12M declined by 47-49bp adjusting to the new NBP reference rate. On the core markets yields declined but slightly less than on the Polish market and the 10Y PL-DE spread narrowed to around 180bp.

During the shorter post-Easter week we will see quite a few data releases of which a decent number will cover the advanced phase of pandemic. In Poland, this will concern only CPI (the stat office decision not to publish flash March inflation at the end of the past month suggests the uncertainty related to the headline number is exceptionally high) but in the USA and China we will see March retail sales and industrial output data. In case of the latter, also 1Q GDP will be released. In March, the stock, bond and commodity markets have already sharply discounted substantial deterioration of the global economic outlook amid spreading coronavirus. It seems then that data from 2 biggest economies in the world should turn out to be really much below market consensus in order to induce similarly strong market sentiment deterioration which we observed last month. Among events abroad it is worth noting about G20 and IMF meetings (16 and 17 April). EURPLN stabilized in a relatively narrow range 4.50-4.60 and in our opinion the pair more likely will move higher towards the upper band. Low interest rates and still unstable situation on the global markets might weaken the zloty. Yields and IRS will surely remain at the current and/or lower levels due to very easy monetary policy.

EURPLN and MSCI EM FX index



Source: Refinitiv Datastream, Santander Bank Polska

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 Luzziński +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	4.5513	CZKPLN	0.1698
USDPLN	4.1708	HUFPLN*	1.2781
EURUSD	1.0917	RUBPLN	0.0568
CHFPLN	4.3175	NOKPLN	0.4036
GBPPLN	5.2401	DKKPLN	0.6099
USDCNY	7.0569	SEKPLN	0.4183

*for 100HUF

Last session in the FX market 13.04.2020

	min	max	open	close	fixing
EURPLN	4.545	4.574	4.552	4.564	4.548
USDPLN	4.150	4.199	4.161	4.185	4.157
EURUSD	1.089	1.097	1.094	1.091	-

Interest rate market 13.04.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.71	0	5.03.2020	OK0722	1.225
PS1024 (5Y)	1.14	0	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.47	0	5.03.2020	DS1029	1.725

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.50	0	0.60	0	NA	#ARG!
2L	0.56	0	0.46	-1	-0.28	-1
3L	0.59	0	0.46	0	-0.27	0
4L	0.65	2	0.51	2	-0.23	-1
5L	0.70	0	0.58	3	-0.19	-1
8L	0.83	0	0.74	3	-0.06	0
10L	0.91	-1	0.83	5	0.02	1

WIBOR rates

Term	%	Change (bps)
O/N	0.56	-5
T/N	0.57	-4
SW	0.56	-2
2W	0.59	-1
1M	0.65	-1
3M	0.70	-1
6M	0.72	0
1Y	0.76	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.60	4
3x6	0.47	4
6x9	0.42	4
9x12	0.39	5
3x9	0.48	3
6x12	0.46	6

Measures of fiscal risk

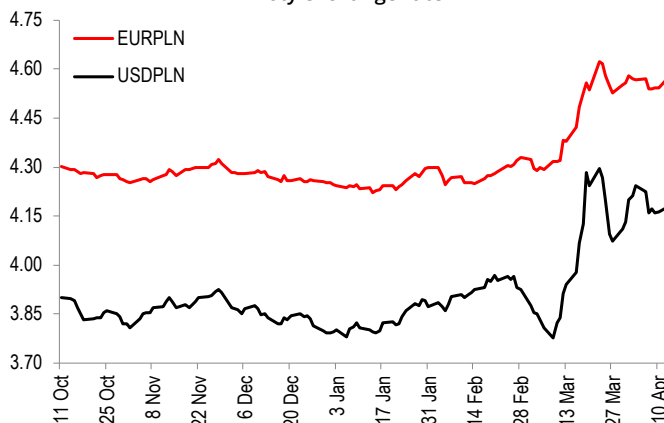
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	181	-6
France	27	0	45	-3
Hungary	81	0	314	-1
Spain	108	0	113	-2
Italy	146	0	194	-3
Portugal	75	0	123	-2
Ireland	37	0	58	-4
Germany	20	0	-	-

* 10Y treasury bonds over 10Y Bunds

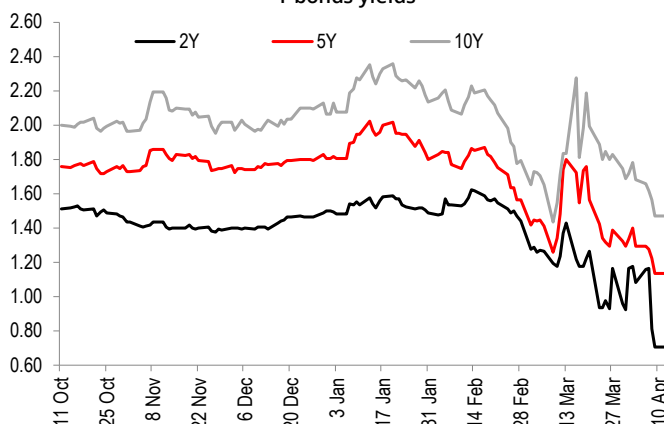
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

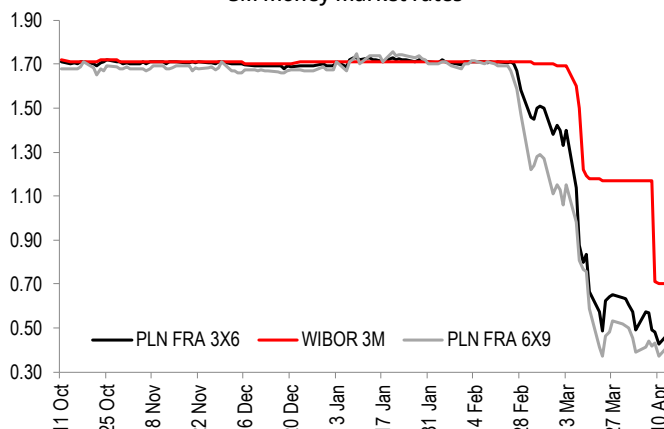
Zloty exchange rate



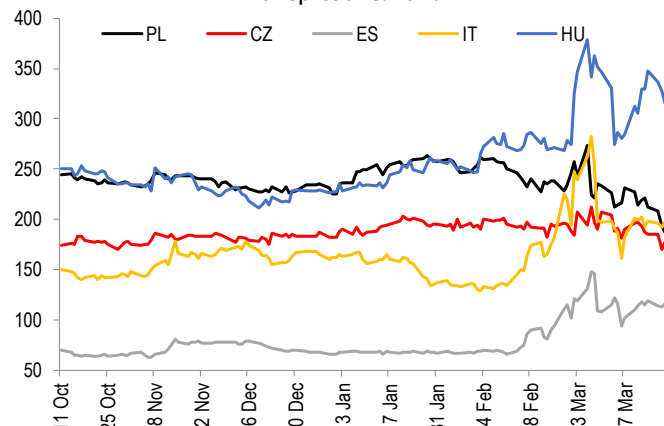
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		REALIZACJA	OSTATNIA WARTOŚĆ*	
				MARKET	SANTANDER			
THURSDAY (9 April)								
08:00	DE	Exports	ll	% m/m	-	-	1.3	0.1
14:30	US	Initial jobless claims	week	k	5250	-	6606	6867
16:00	US	Michigan index	Apr	pts	82.0	-	71.0	89.1
FRIDAY (10 April)								
14:30	US	CPI	Mar	% m/m	-0.3	-		0.1
TUESDAY (14 April)								
9:00	CZ	CPI	Mar	% y/y	3.7	-	3,4	3.7
14:00	PL	Current account	Feb	€m	2542	902		2 265
14:00	PL	Exports	Feb	€m	-	19800		19 267
14:00	PL	Imports	Feb	€m	-	19289		18 937
WEDNESDAY (15 April)								
9:00	HU	Industrial output	Feb	% y/y	-	-		4.1
10:00	PL	CPI	Mar	% y/y	4.4	4.4		4.7
14:30	US	Retail sales	Mar	% m/m	-3.4	-		-0.5
15:15	US	Industrial output	Mar	% m/m	-3.9	-		0.6
20:00	US	Fed Beige Book						
THURSDAY (16 April)								
11:00	EZ	Industrial output	Feb	% m/m	-0.7	-		2.3
14:00	PL	Core inflation	Mar	% y/y	3.5	3.4		3.6
14:30	US	Building permits	Mar	k	1300	-		1452
14:30	US	House starts	Mar	k	1330	-		1599
14:30	US	Philly Fed index	Apr	pts	-26.0	-		-12.7
14:30	US	Initial jobless claims	week	k	-	-		-
FRIDAY (17 April)								
4:00	CN	GDP	Q1	% y/y	-6.0	-		6.0
4:00	CN	Industrial output	Mar	% y/y	-5.6	-		-13.5
4:00	CN	Retail sales	Mar	% y/y	-8.8	-		-20.5
11:00	EZ	HICP	Mar	% y/y	1.4	-		1.2

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.