

15 April 2020

# Eyeopener

## Global contraction

Cautious optimism holds, IMF slashes growth forecasts  
Mixed signals from MPC  
Zloty slightly stronger on rising stock indexes  
Domestic yields and IRS rates down  
Today Polish March CPI, important US data in the afternoon

The market sentiment on Tuesday was slightly optimistic thanks to signals that the coronavirus spread might be slowing but also due to pre-Easter weekend actions of Fed which are aimed to support the US economy. In the US the earnings season has just started and first earnings have not discouraged investors from buying stocks. **IMF has joined the growing group of institutions which lowered the GDP growth forecasts** this year significantly. According to the fund, the global economy is expected to contract 3.0% instead of expanding 3.3% as expected only in January. In 2021 there should be a rebound to 5.8% vs 2.4% seen previously. The downward revisions were more pronounced in the DM world than in the EM world. In the former group the inflation forecasts have also been significantly lowered, on average by 1.2pp in 2020 and 0.4pp in 2021. As for Polish GDP, in 2020 it was lowered to -4.6% from +3.1%. The PBoC has cut the 1Y credit cost by 20bp and cut the RRR by 50bp but the markets have remained roughly unchanged.

In February, Poland's **current account balance** amounted to +€659mn (we expected +€902mn). This was the second positive reading in February since 2004 (since comparable data is available). The goods trade balance recorded a surplus of +€525mn and is running positive for six months already. In February, exports was performing still well (+5.7% y/y vs 6.4% y/y on average in 2019; but less than we expected) owing to production of batteries and engines to hybrid autos. At the same time, this was a yet another month with poor imports (+0.5% y/y) but this time mainly due to distortions in deliveries from China (components to computers, RTV and autos). Services balance remained strongly positive amid robust growth of both exports (8.2% y/y) and imports (7.8% y/y). The 12-month rolling current account balance rose to 0.8% of GDP from 0.5% in January. The next release will include the period of serious distortions in foreign trade spurred by coronavirus pandemic – in our view the impact on the trade balance could be positive in the initial phase although the trade volumes are likely to fall.

**MPC member Cezary Kochalski** said yesterday that amid expected inflation drop below the target in the medium run, the central bank should keep interest rates at low level and undertake other non-standard actions, as long as they are needed. He added it is too early to declare how big will be the size of bond purchase programme. In his view, the room for interest rate reduction is still there, but getting smaller. **Łukasz Hardt** said that after the pandemic ends the NBP should start terminating the asset purchases program, but the pace of this process will depend on the speed at which the economy will be recovering from the crisis. **Eryk Łon** said the NBP could grant loans directly to companies, especially SMEs, which would be spent on employees' wages and rents. **Jerzy Żyżyński** allowed another interest rate cut, but not to zero, and only if the economic recovery is delayed. In general, he would like to restore main rate to 1.5% relatively quickly after the pandemic. He also mentioned the purchase of corporate bonds and equities on the secondary market. In our view, the main NBP rate will remain unchanged at current level 0.5% until the end of next year.

**EURUSD** gained yesterday to 1.098 due to better market sentiment and less demand for safe haven assets. Today in the afternoon March production and retail sales data in the US will be published. It seems these readings would need to be much worse than expectations in order to make investors demand USD dollars strongly.

**EURPLN** dropped yesterday to below 4.53 vs almost 4.56 at the open. USDPLN declined temporarily as low as 4.125 from 4.17. In the broader context, EURPLN currently remains within a 4.50-4.60 range. The amplitude of the moves is getting more and more narrow which suggests the volatility is likely to increase soon again. We expect at least one more risk-off wave globally which would push the EURPLN above 4.60.

On the domestic **interest rate market**, IRS and bond yields eased by c5bp. Core yields fell at a similarly or slightly more while Spanish and Italian yields rose.

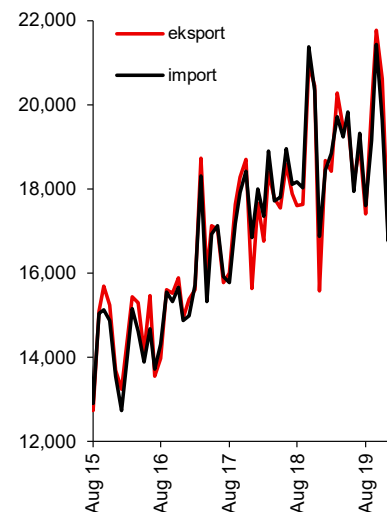
**Today** at 10:00CET the stat office will release March inflation. We expect CPI eased to 4.4% (consensus at 4.4%) and this trend should accelerate in the months to come. In March, there was probably a strong negative effect of cheaper oil, core inflation likely started to fade amid companies trying to seize at least some of the disappearing demand by price cuts and plenty of online discounts. In food prices, there might have been a positive effect of panic stock building by consumers.

### IMF's World Economic Outlook projections

	2019	2020
<b>World Output</b>	<b>-3.0(-6.3)</b>	<b>5.8(2.4)</b>
<b>Advanced Economies</b>	<b>-6.1(-7.7)</b>	<b>4.5(2.9)</b>
USA	-5.9(-7.9)	4.7(3.0)
Euro Area	-7.5(-8.8)	4.7(3.3)
Germany	-7.0(-8.1)	5.2(3.8)
France	-7.2(-8.5)	4.5(3.2)
Italy	-9.1(-9.6)	4.8(4.1)
Spain	-8.0(-9.6)	4.3(2.7)
Japan	-5.2(-5.9)	3.0(2.5)
United Kingdom	-6.5(-7.9)	4.0(2.5)
<b>Developing Economies</b>	<b>-1.0(-5.4)</b>	<b>6.6(2.0)</b>
Developing Europe	-5.2(-7.8)	4.2(1.7)
Poland	-4.6(-7.7)	4.2(1.5)
<b>World Trade Volume</b>	<b>-11(-13.9)</b>	<b>8.4(4.7)</b>

Note: in parentheses are differences versus January 2020 WEO projections, and for Poland – vs October 2019  
Source: IMF, Santander

### Poland foreign trade volumes (€mn)



Source: NBP, Santander Bank Polska

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: ekonomia@santander.pl  
website: [santander.pl/en/economic-analysis](https://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	4.5311	CZKPLN	0.1682
USDPLN	4.1336	HUFPLN*	1.2763
EURUSD	1.0960	RUBPLN	0.0564
CHFPLN	4.2943	NOKPLN	0.3972
GBPPLN	5.1974	DKKPLN	0.6070
USDCNY	7.0572	SEKPLN	0.4135

\*for 100HUF

### Last session in the FX market 14.04.2020

	min	max	open	close	fixing
EURPLN	4.528	4.558	4.543	4.532	4.551
USDPLN	4.126	4.173	4.150	4.132	4.167
EURUSD	1.091	1.098	1.094	1.097	-

## Interest rate market 14.04.2020

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.68	-2	5.03.2020	OK0722	1.225
PS1024 (5Y)	1.07	-7	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.42	-5	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	0.46	-4	0.56	-3	-0.35	-3
2L	0.51	-5	0.43	-2	-0.29	-1
3L	0.52	-6	0.43	-3	-0.28	-1
4L	0.57	-8	0.47	-4	-0.25	-1
5L	0.62	-8	0.54	-4	-0.21	-2
8L	0.76	-7	0.71	-2	-0.09	-2
10L	0.83	-8	0.81	-2	-0.02	-4

### WIBOR rates

Term	%	Change (bps)
O/N	0.58	2
T/N	0.58	1
SW	0.56	0
2W	0.59	0
1M	0.65	0
3M	0.70	0
6M	0.72	0
1Y	0.76	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	0.55	-5
3x6	0.44	-4
6x9	0.38	-4
9x12	0.36	-3
3x9	0.46	-2
6x12	0.41	-6

### Measures of fiscal risk

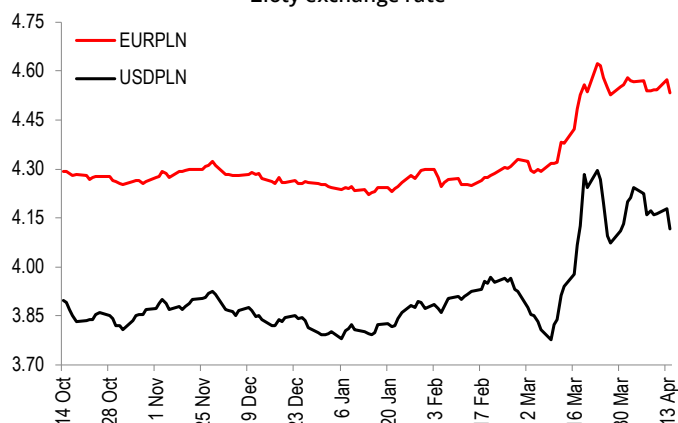
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	59	0
France	27	0
Hungary	80	0
Spain	114	6
Italy	161	15
Portugal	83	7
Ireland	37	0
Germany	19	0

\* 10Y treasury bonds over 10Y Bunds

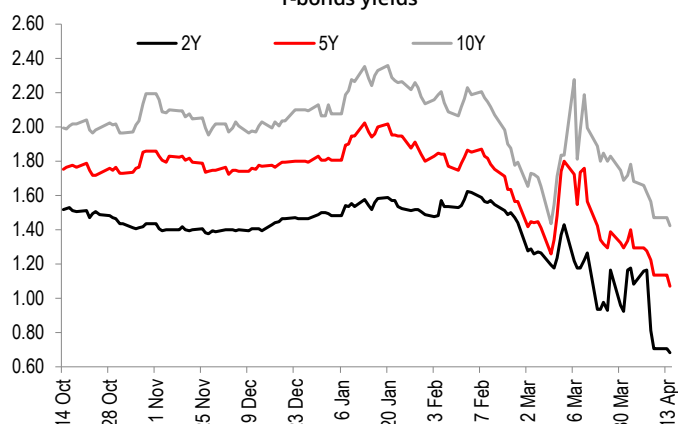
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

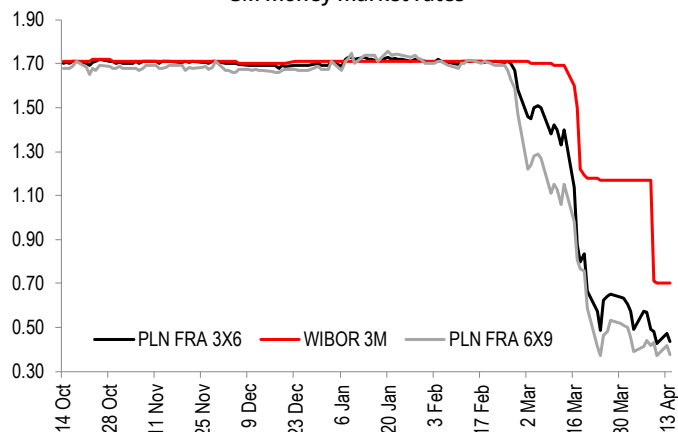
## Zloty exchange rate



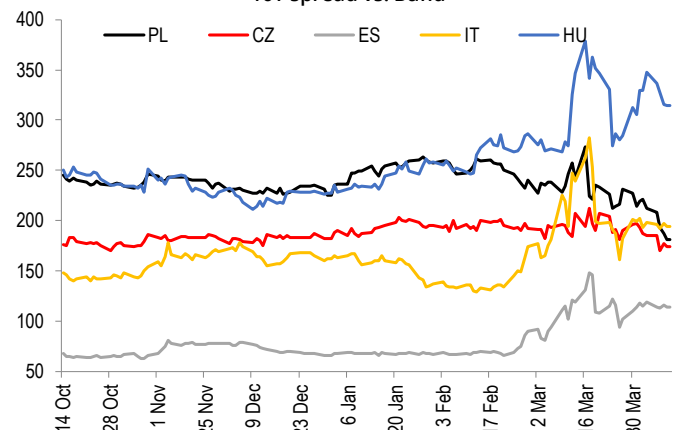
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		REALIZACJA	OSTATNIA WARTOŚĆ*	
				MARKET	SANTANDER			
THURSDAY (9 April)								
08:00	DE	Exports	II	% 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	659	2 348
14:00	PL	Exports	Feb	€m	-	19800	19 463	19 362
14:00	PL	Imports	Feb	€m	-	19289	18 938	18 882
WEDNESDAY (15 April)								
9:00	HU	Industrial output	Feb	% y/y	-	-	4.1	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>.