

17 April 2020

Eyeopener

NBP's appetite for bonds is growing

Markets positive on plans to gradually lift lockdown
Zloty and CEE peers more less unchanged
Domestic bonds stabilised, record NBP QE operation
Today euro zone inflation

On Thursday, the global market mood was somewhat better than on Wednesday and the intraday volatility was lower. Stock indexes rose slightly, the EM currencies did not depreciate while core bonds did not gain (Bund) or strengthened less than on the previous day (Treasuries). One of the factors contributing to the better market mood was Donald Trump saying that the US might have reached the peak of the COVID-19 infections which may allow to ease the lockdown. Additionally, the weekly initial jobless claims was smaller than the previous release which supported hopes that the negative tendencies are gradually losing pace. ECB governor Christine Lagarde said that the central bank will provide any support it can to support the euro zone economy fighting the coronavirus. March China industrial output data was much better than expected (-1.1% y/y vs consensus at -6.2% y/y) while the retail sales disappointed (-15.8% y/y vs consensus at -10% y/y). Also, China GDP contracted more than expected in 1Q20 (-6.8% y/y vs consensus at -6% y/y).

Poland core inflation excluding prices of food and energy reached 3.6% y/y in March – unchanged vs February. Other measures of core inflation also did not change much. We expect to see a drop in core inflation in the coming months due to negative demand shock related to Covid-19 pandemic, which affected many firms, mainly in services, and is likely to trigger price reductions.

The government presented **main assumptions of the lockdown easing**. The plan assumes four phases but with no precise timeline, apart from allowing entrance to forests and parks on Monday 20 April. Thus, we see no economic impact of the plan yet.

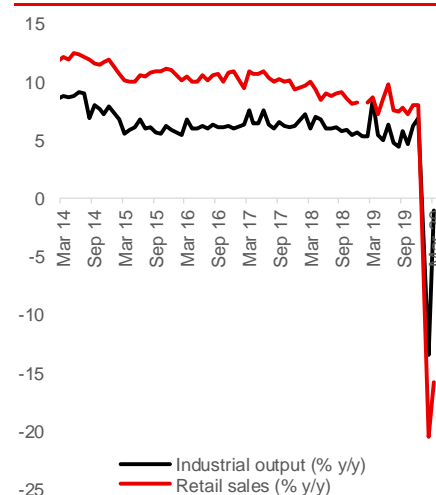
Yesterday **EURUSD** was hovering around Wednesday minimum. US data failed to initiate a stronger move, yet the prospects of lockdown easing helped the currency pair to go down to 1.08 in the evening. The end of the week is unlikely to bring any crucial changes, in our view. Today we will get to see March inflation in the euro zone, so EURUSD is likely to stay in 1.08-1.10 range.

EURPLN was hovering yesterday slightly below Wednesday's closing at 4.545 while USDPLN traded around 4.17. After the European session the volatility of both exchange rates rose noticeably but today in the morning they are back close to levels seen during the day. At the time of writing, the weekly trading range is the narrowest since early March, before the global market mood deteriorated sharply amid concerns about impact the COVID-19 pandemic will have on global growth. We do not expect any major changes to take place during today's session. We sustain our view that in the short term the zloty is rather likely to depreciate than to appreciate.

As to the **other regional currencies**, the Czech koruna performed the worst and declined vs euro for the second day in a row. Both forint and rouble gained – EURHUF set the new weekly minimum at 348,5 while USDRUB declined by roughly half of the Wednesday increases from 73 to 75, albeit it is seeing pressure from stronger dollar this morning.

On the **local interest rate market**, IRS and bond yields stabilised or rose slightly (1-5bp, the most in case of 10Y IRS). Meanwhile, abroad the yield of 10Y UST fell c.5bp, half of previous days' drop, while the yield of 10Y Bund was hovering above Wednesday's low at -0.477%. Yesterday the NBP held another auction of government bond purchase from the secondary market, at which it has bought debt worth PLN30bn, the most since the central banks' QE program started.

Chinese production and retail sales, %y/y



Source: Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.5350	CZKPLN	0.1668
USDPLN	4.1794	HUFPLN*	1.2817
EURUSD	1.0848	RUBPLN	0.0568
CHFPLN	4.3087	NOKPLN	0.4018
GBPPLN	5.2169	DKKPLN	0.6076
USDCNY	7.0749	SEKPLN	0.4176

*for 100HUF

Last session in the FX market 16.04.2020

	min	max	open	close	fixing
EURPLN	4.525	4.549	4.530	4.545	4.533
USDPLN	4.155	4.199	4.164	4.194	4.163
EURUSD	1.083	1.091	1.088	1.084	-

Interest rate market 16.04.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.63	-2	5.03.2020	OK0722	1.225
PS1024 (5Y)	1.02	-1	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.35	-1	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	0.43	1	0.55	0	-0.32	2
2L	0.44	-1	0.41	0	-0.29	0
3L	0.47	-1	0.40	0	-0.30	-1
4L	0.51	0	0.43	1	-0.28	-1
5L	0.58	1	0.49	2	-0.26	-2
8L	0.73	1	0.63	0	-0.16	-3
10L	0.81	2	0.70	0	-0.09	-3

WIBOR rates

Term	%	Change (bps)
O/N	0.63	2
T/N	0.63	2
SW	0.58	2
2W	0.60	1
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	0.46	-4
3x6	0.35	-3
6x9	0.29	-4
9x12	0.28	-2
3x9	0.39	-1
6x12	0.36	2

Measures of fiscal risk

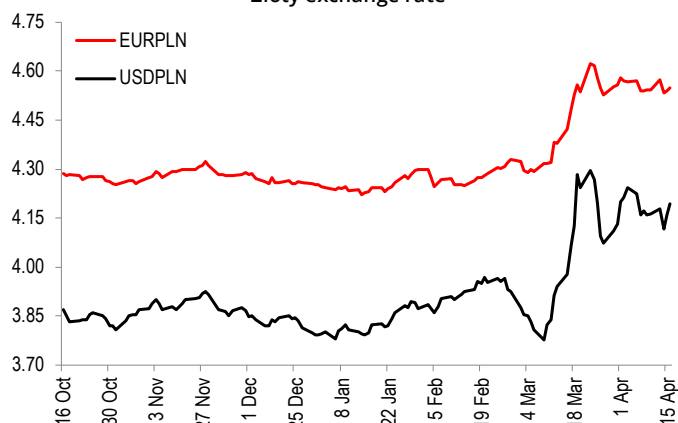
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	183	0
France	28	0	53	1
Hungary	78	0	299	-5
Spain	125	1	131	-2
Italy	183	3	233	-4
Portugal	90	0	146	6
Ireland	38	0	67	1
Germany	20	0	-	-

* 10Y treasury bonds over 10Y Bunds

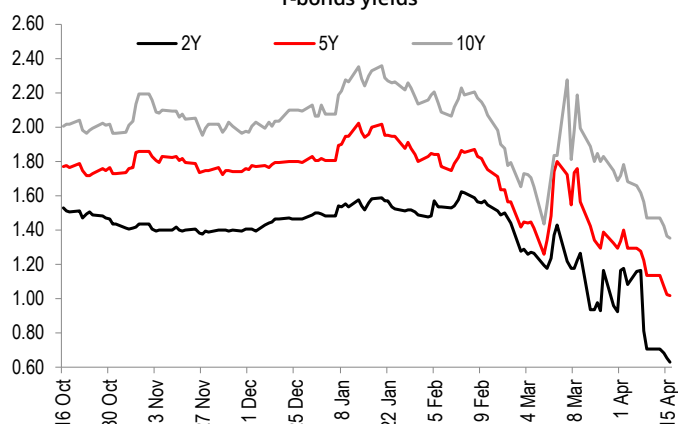
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

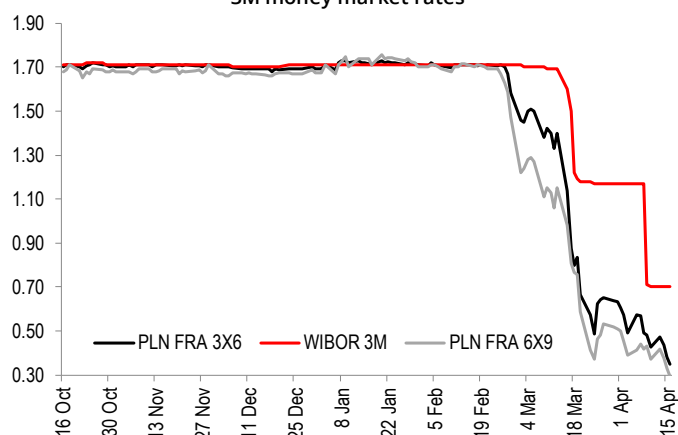
Zloty exchange rate



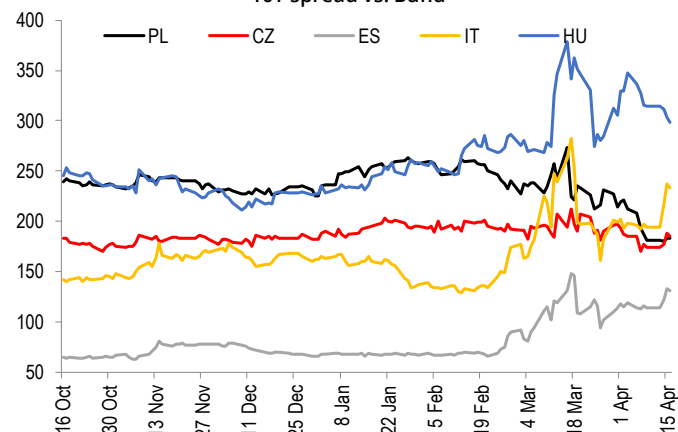
T-bonds yields



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	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	4.6	4.7
14:30	US	Retail sales	Mar	% m/m	-3.4	-	-8.7	-0.5
15:15	US	Industrial output	Mar	% m/m	-3.9	-	-5.4	0.5
20:00	US	Fed Beige Book						
THURSDAY (16 April)								
11:00	EZ	Industrial output	Feb	% m/m	-0.2	-	-0.1	2.3
14:00	PL	Core inflation	Mar	% y/y	3.5	3.7**	3.6	3.6
14:30	US	Building permits	Mar	k	1300	-	1353	1452
14:30	US	House starts	Mar	k	1300	-	1216	1564
14:30	US	Philly Fed index	Apr	pts	-30.0	-	-56.6	-12.7
14:30	US	Initial jobless claims	week	k	5105	-	5245	6615
FRIDAY (17 April)								
4:00	CN	GDP	Q1	% y/y	-6.0	-	-6.8	6.0
4:00	CN	Industrial output	Mar	% y/y	-6.2	-	-1.1	-13.5
4:00	CN	Retail sales	Mar	% y/y	-10.0	-	-15.8	-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

**estimate after CPI inflation data

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