

20 April 2020

Eyeopener

MPC meeting postponed

US crude oil price fell sharply, other markets quite stable
Zloty slightly stronger, EURUSD volatile
Polish bond yields and IRS slightly higher
Today, data about wages and employment

On Friday data on Chinese GDP were released – at -6.8% y/y in 1Q it shrank by more than economists had expected. Markets had already discounted a poor result and on Friday stock indexes around the world went up by 2-3%. There was a gentle rise of industrial metals prices while gold price decreased by 2.3%. Due to a growing oversupply on the oil market and storage difficulties a large discrepancy has appeared between prices of Brent (unchanged at US\$28/bbl) and WTI (down by 13%) contracts. This morning WTI price dropped by more than 20%, to less than US\$15/bbl. A vast majority of EM currencies strengthened on Friday, but the trend did not cover South America. This morning the central bank of China lowered again its interest rates: 1Y by 20bp to 3.85%, 5Y by 10bp to 4.65%.

National Bank of Poland informed that in 2019 it made a profit of PLN 7.8bn. Of this number, PLN 7.4bn, or 95%, will go to the country's budget. In the budget act the contribution was planned at PLN 7.2bn. NBP also informed that the next **MPC meeting** was postponed until 28 May and again this will only be a 1-day meeting (earlier calendar assumed a 2-day meeting on 5-6 May).

EURUSD was hovering within a narrow range on Friday but was changing direction quite often. The exchange rate first rose to 1.088 after it opened at 1.085, then pulled down to 1.082 to end the day at 1.088. Implied volatilities converged to realized volatilities giving up a vast part of the risk premium. The skew remains slightly negative but we think EURUSD could rise towards 1.096 which looks likely owing to strong USD-long market positioning already. Today in the morning the exchange rate opened at 1.084.

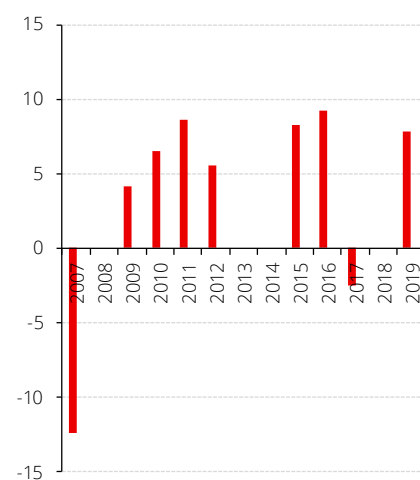
EURPLN opened at slightly above 4.54 and managed to fall below 4.52 intraday but closed at 4.527. We do not exclude that the zloty could gain this week. EURPLN could test 4.50 and head towards 4.45 but this could be only temporary. Short-term zloty appreciation could be supported by excessive short zloty bets and too negative (in our view) market expectations for the Polish macro data due to be released this week.

As to **other regional currencies**, EURHUF and EURCZK, as opposed to EURPLN, have marched higher. EURHUF by 0.4% to 352.0 while EURCZK by 0.2% to 27.3, also Czech bond yields noticeably declined. This week there are no important data in Hungary nor Czechia hence their currencies might follow the global market mood. USDRUB was volatile on Friday – after opening near 77.0, it declined to 76.0 (a 1.8% drop) and then towards the end of the day rebounded above 77.1 again. The rouble behaved quite well as for the oil prices declines, however this soon might change and rouble might weaken again as CBR governor Nabiullina said that bigger than normal cuts at the upcoming meeting (on Friday) are possible, and emphasized that currently monetary easing is the main option.

On the **domestic interest rate market** IRS rates and bond yields were going up. IRS climbed by 4-5bp along the curve. On Friday morning bonds were under pressure and 10Y paper ended the day at 1.43%, 8bp higher than on Thursday. Both curves steepened: 2x10Y spread increased by 6-7bp. Given that the German curve was stable (10Y Bund at -0.47%), spread to German papers widened to 190bp in 10Y tenor.

The Ministry of Finance announced that on Monday auction it will offer 117- and 49-week T-bills. The auction is part of the largest ever monthly plan of T-bill issuance, possibly up to PLN21bn. Month-to-date PLN6.8bn T-bills were sold. At the Monday auction, another PLN2-4bn will be offered.

NBP profit, PLNbn



Source: NBP, Santander Bank Polska

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FX market

Today's opening

EURPLN	4,5233	CZKPLN	0,1659
USDPLN	4,1687	HUFPLN*	1,2715
EURUSD	1,0853	RUBPLN	0,0556
CHFPLN	4,3011	NOKPLN	0,3992
GBPPLN	5,1907	DKKPLN	0,6066
USDCNY	7,0779	SEKPLN	0,4160

*for 100HUF

Last session in the FX market 17.04.2020

	min	max	open	close	fixing
EURPLN	4,512	4,542	4,525	4,519	4,537
USDPLN	4,147	4,195	4,163	4,152	4,189
EURUSD	1,081	1,089	1,087	1,088	-

Interest rate market 17.04.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0,61	-2	5.03.2020	OK0722	1,225
PS1024 (5Y)	1,05	3	5.03.2020	PS1024	1,431
DS1029 (10Y)	1,43	8	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	0,40	-3	0,54	0	-0,32	0
2L	0,46	2	0,41	-1	-0,29	0
3L	0,50	4	0,40	0	-0,29	1
4L	0,54	3	0,43	-1	-0,28	0
5L	0,60	3	0,48	-1	-0,25	1
8L	0,78	5	0,64	1	-0,15	1
10L	0,86	5	0,71	1	-0,08	1

WIBOR rates

Term	%	Change (bps)
O/N	0,63	0
T/N	0,63	0
SW	0,58	0
2W	0,60	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	0,42	-4
3x6	0,31	-4
6x9	0,27	-3
9x12	0,29	1
3x9	0,36	-3
6x12	0,34	-3

Measures of fiscal risk

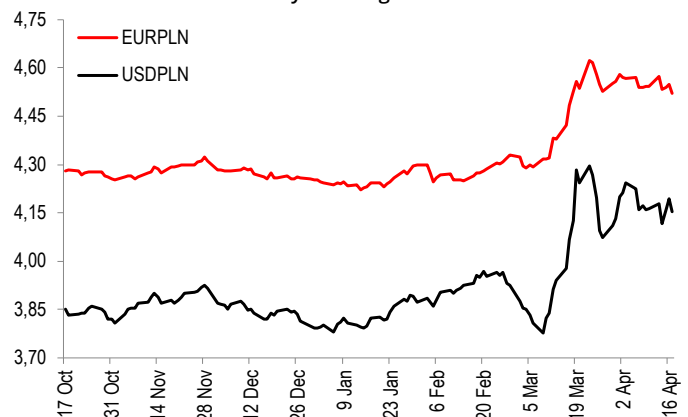
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	191	8
France	29	1	50	-2
Hungary	78	0	299	0
Spain	126	1	129	-1
Italy	179	-5	227	-6
Portugal	90	0	146	0
Ireland	38	0	67	1
Germany	21	1	-	-

* 10Y treasury bonds over 10Y Bunds

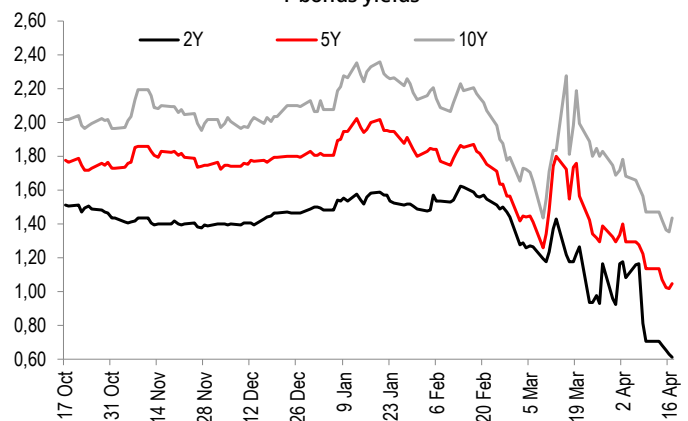
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

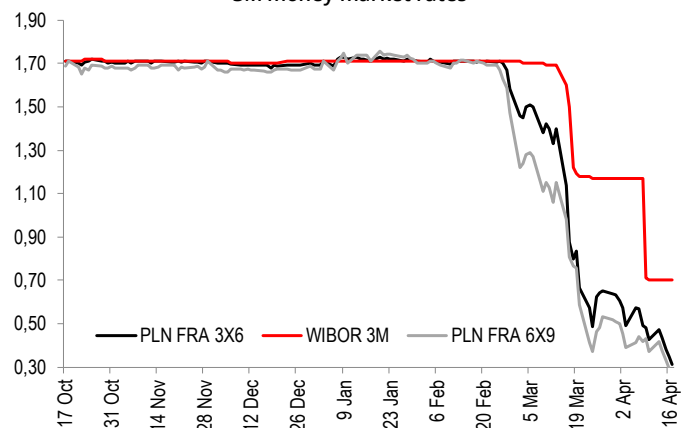
Zloty exchange rate



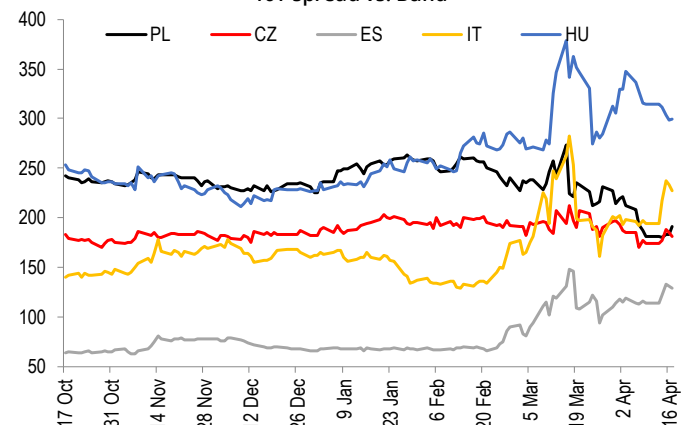
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		LAST VALUE
					MARKET	SANTANDER	
MONDAY (20 April)							
08:00	DE	PPI	Mar	% y/y	-0.8	-	-0.4
10:00	PL	Average Gross Wages	Mar	% y/y	6.6	7.0	7.7
10:00	PL	Employment	Mar	% y/y	0.8	0.8	1.1
TUESDAY (21 April)							
11:00	DE	ZEW Expectations	Apr		-41.0	-	-49.5
10:00	PL	Sold Industrial Output	Mar	% y/y	-4.5	1.4	4.8
10:00	PL	PPI	Mar	%y/y	-0.5	-0.9	0.1
16:00	US	Existing Home Sales	Mar	Mio	5.35		5.77
WEDNESDAY (22 April)							
16:00	EZ	Consumer Confidence	Apr	pts	-19.8		-11.6
10:00	PL	Retail Sales, constant prices	Mar	% y/y	-5.1	-4,2	9.6
13:00	US	MBA Mortgage Applications	Apr 17 th	%			7.3
THURSDAY (23 April)							
10:00	EZ	PMI manufacturing	Apr	pts	38.5	-	44.5
09:30	DE	PMI manufacturing	Apr	pts	-	-	45.4
08:00	DE	GfK Consumer Confidence	May		-1.8	-	2.7
14:00	PL	Minutes					
10:00	PL	Construction Output	Mar	% y/y	2.5	-0.5	5.5
14:00	PL	M3 Money Supply	Mar	% y/y	9.6	10.0	9.4
14:30	US	Initial Jobless Claims	Apr 18 th	k	4500		5245
16:00	US	New Home Sales	Mar	K	661		765
15:45	US	PMI manufacturing	Apr	Pts			48.5
FRIDAY (24 April)							
10:00	DE	IFO Business Climate	Apr		80.0	-	86.1
10:00	PL	Unemployment Rate	Mar	%	5.6	5.5	5.5
14:30	US	Durable Goods Order	Mar	%	-11.0		1.2
16:00	US	University of Michigan Sentiment	Apr	pts	69		71

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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