

21 April 2020

# Eyeopener

## Drop below zero

US crude oil price dropped below zero  
 Employment and wages slowed already in March  
 EURPLN and EURUSD quite stable  
 Polish bond yields and IRS little changed  
 Today, Polish production and PPI, German ZEW, US home sales

On Monday, equity markets were moving down a bit due to a large decline of May WTI contract just before its looming expiry. In the evening, the contract price dropped below zero for the first time ever. Other contracts with later maturity dates were also losing value, but to a lesser extent, e.g. June contract by only 8% to US\$22.7/bbl. Yields on core markets and the dollar index did not move much while EM currencies performed in various ways, mostly losing ground (especially Latam FX). Germany showed March PPI, which surprised negatively. March Chicago Fed national activity index was also a disappointment. David Nabarro, a WHO expert on Covid-19, cooled down expectations for a quick discovery of a vaccine. The positive news is that the pace of weekly capital inflow to Switzerland decreased from more than a dozen CHFbn to c.CHF3bn, which suggests a drop in risk aversion last week. Today, the sentiment is again a bit worse, which is expressed via stronger dollar overnight and a negative opening of equities.

Poland's **March labour market data** were clearly impacted by the coronavirus with employment growth slowing down to 0.3% y/y from 1.1% y/y. With monthly decline of 34 thousand jobs (-0.5% m/m), this was the worst March since comparable data are available (early 90s). Note that these data cover only about 1/3 of total employment and leaving out many companies from sectors mostly affected by coronavirus-related restrictions, e.g. restaurants. On the other hand, part of the employment drop reflected people on unpaid leave, sick and childcare leaves and especially the latter may have come in big numbers after education facilities were shut down on 12 March, markedly lowering the employment numbers. Wage growth declined in March to 6.3% from 7.7% y/y. The data confirm that the Polish economy was massively hit by the coronavirus impact and signal the recession in 2020. We are expecting more deceleration in employment and wage statistics in the months to come. More in our [Economic Comment](#).

**MPC member Jerzy Kropiwnicki** wrote on his blog that he is afraid of a rise of inflation when the economy will be recovering from the standstill. He hopes that the economic recovery which will come after the pandemic will not be dampened by exaggerated fight with inflation.

**EURUSD** was stable – it opened and closed around 1.0890 and the daily range was 1.084-1.089. Low volatility may come from no important data releases in the first half of the week. At night the exchange rate dropped to 1.083.

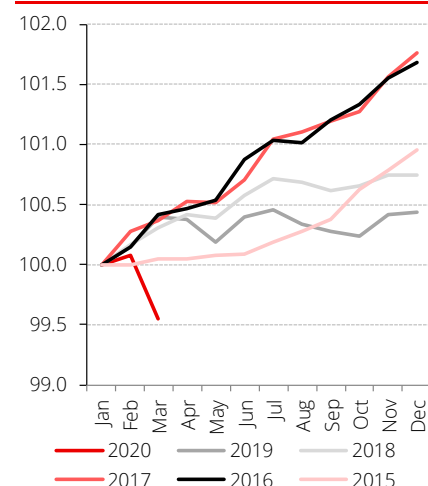
**EURPLN** was also roughly stable. It started the day near 4.52, tried to break through 4.53 but closed back around 4.52. If EURPLN does not manage to fall below 4.50 in the coming days, this could be a negative signal and we could see zloty weakening in the nearest future.

As to **other regional currencies**, EURHUF opened at 353.0, increased during the day to 353.0, however on the close was back below 353.0. EURCZK was consistently increasing throughout the day to 27.43 from 27.20, by 0.7% and we expect this trend to continue in the near future towards 28.0. Both rouble basket and USDRUB increased yesterday by 0.8% and it is likely the move will be extended in the context of cheap and cheapening oil and dovish CBR governor.

On the **domestic interest rate market** IRS did not actually change and the bond yields eased 1bp. Polish curve remained stable, just like the core one (Bund and UST yields rose 2bp) and thanks to no big zloty fluctuations. At the T-bill tender, the Ministry of Finance sold 17 and 49-week bills for the total amount of PLN2.34bn and PLN0.3bn at the top up.

**Today** we will see German ZEW index, US home sales, Polish industrial output and PPI.

Employment in the corporate sector, Jan=100



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.5271	CZKPLN	0.1650
USDPLN	4.1771	HUFPLN*	1.2824
EURUSD	1.0838	RUBPLN	0.0549
CHFPLN	4.3053	NOKPLN	0.3981
GBPPLN	5.1825	DKKPLN	0.6070
USDCNY	7.0827	SEKPLN	0.4157

\*for 100HUF

### Last session in the FX market 4/20/2020

	min	max	open	close	fixing
EURPLN	4.497	4.532	4.519	4.519	4.5175
USDPLN	4.144	4.177	4.156	4.157	4.1525
EURUSD	1.084	1.090	1.088	1.087	-

### Interest rate market 4/20/2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2L)	0.63	2	5.03.2020	OK0722	1.225
DS0725 (5L)	1.05	3	5.03.2020	PS1024	1.431
DS1029 (10L)	1.43	3	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	0	0.56	2	-0.22	2
2L	0.46	0	0.43	1	-0.26	3
3L	0.50	0	0.41	1	-0.26	3
4L	0.56	1	0.44	1	-0.25	3
5L	0.60	0	0.48	0	-0.22	3
8L	0.78	0	0.63	0	-0.12	3
10L	0.86	0	0.71	0	-0.05	3

#### WIBOR rates

Term	%	Change (bps)
O/N	0.52	-11
T/N	0.52	-11
SW	0.55	-3
2W	0.58	-2
1M	0.65	0
3M	0.70	0
6M	0.71	-1
9M	1.80	0
1Y	0.76	0

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

Term	%	Change (bps)
1x4	0.60	21
3x6	0.32	1
6x9	0.27	0
9x12	0.29	-1
3x9	0.35	-1
6x12	0.31	-1

#### Measures of fiscal risk

Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		1.90 4
France	43 1	0.52 1
Hungary		2.88 2
Spain	132 1	1.34 0
Italy	248 4	2.40 2
Portugal	128 1	1.50 0
Ireland	44 1	0.67 0
Germany	26 -1	- -

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

## Zloty exchange rate



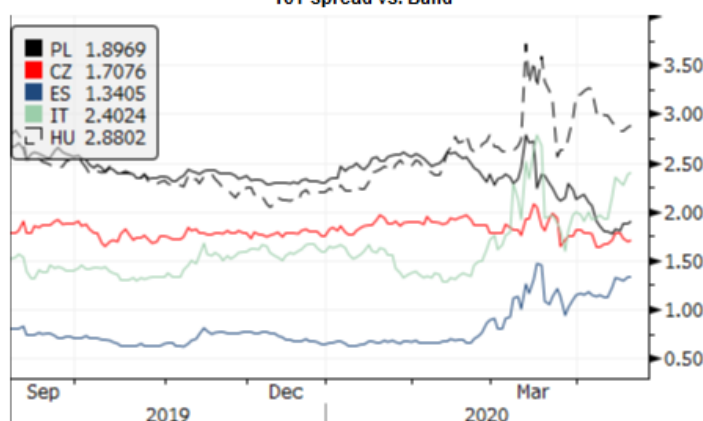
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		REALIZED	LAST VALUE	
				MARKET	SANTANDER			
MONDAY (20 April)								
08:00	DE	PPI	Mar	% y/y	-0.8	-	-0.8	-0.4
10:00	PL	Average Gross Wages	Mar	% y/y	6.6	7.0	6.3	7.7
10:00	PL	Employment	Mar	% y/y	0.8	0.8	0.3	1.1
TUESDAY (21 April)								
11:00	DE	ZEW Expectations	Apr		-41.0	-		-49.5
10:00	PL	Sold Industrial Output	Mar	% y/y	-3.3	1.4		4.8
10:00	PL	PPI	Mar	%y/y	-0.4	-0.9		-0.2
16:00	US	Existing Home Sales	Mar	Mio	5.25			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 <sup>th</sup>	%				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 <sup>th</sup>	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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