

27 April 2020

Eyeopener

Low volatility at the end of the week

Decent market sentiment at the end of the week
Zloty and regional currencies slightly stronger
Interest rates roughly unchanged
Today retail sales in Russia

Since the start of last week markets were trading relatively calm, apart from the commodity market where large fluctuations were observed; Friday was no different from the weekly pattern. Stock market indices in Europe and USA soared, which was possibly supported by expectations that Donald Trump will sign into law another rescue package worth \$500bn. Data from Germany and USA were below forecasts but did not affect market quotations. On Monday morning the Bank of Japan pledged to buy unlimited amounts of government bonds and quadrupled the limit for buying corporate bonds. As a result, Japanese equity market gained.

Based on **GUS Statistical Bulletin** we assess that the large 34k m/m March drop of average employment (data in full-time equivalent terms) came to a large extent from quarantines, childcare and sick leaves, which are excluded from this measure, because another employment measure - the simple number of the employed - showed a decline by 14k m/m. Registered unemployment rate was at 5.4% in March, down versus 5.5% in February. Detailed statistics showed a major drop in new registrations (-25k y/y), de-registrations (-46.5k), de-registrations due to taking up jobs (-16.3k) as well as in new job offers (-51.3k). Wage growth after exclusion of mining was still showing a big decline in March, to 6.2% from 7.8% y/y, wage growth in services also started to fall, from 8% y/y to 6.9%, the drop being led by hotels and restaurants (from 9.2% y/y to 1.1%). **The value of total new orders in industry** dropped in March by 6.4% y/y and foreign orders by 10.8% y/y (after a quite strong February at +6.9% y/y and +15.6% respectively). April print may be much worse. **Consumer inflation expectations** measured by GUS rose sharply in April, reaching the highest result of the last 15 years. We think that in April a period of radical decline of inflation has started due to the epidemic, which caused a collapse of demand for many goods and services, and a further massive drop of fuel prices.

EURUSD was a bit more volatile than on previous days and it seems that changes on stock markets moods were crucial. The initial declines pushed the rate to 1.072 but the later gradual improvement helped the rate to rebound to 1.08, above the opening levels. The first days of the new week should be supportive for lower volatility ahead of the FOMC (Wednesday) and ECB (Thursday). Today in the morning the rate opens at 1.085.

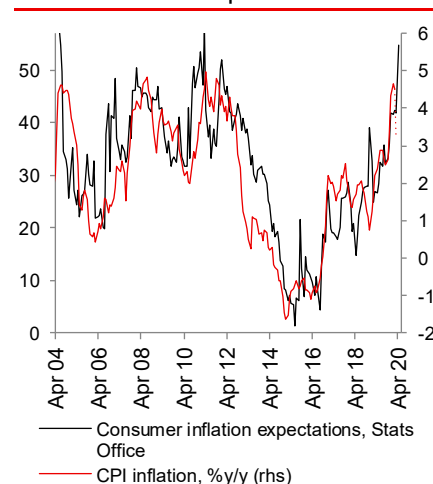
EURPLN and **USDPLN** declined temporarily to 4.52 and below 4.20 thanks to rising stock markets and afternoon USD weakening. **GBPPLN** was hovering around 5.18 and **CHFPLN** fell temporarily to 4.29 from 4.32. At the end of the Friday the zloty gave away some of its profits, but this morning it is a bit stronger again at 4.52 per euro.

As regards other **CEE currencies**, **EURHUF**, **EURCZK** and **USDRUB** went down by 0.8-0.9% on Friday thanks to higher demand for risky assets and stabilisation of oil prices. The ruble managed to keep the pace despite interest rate cut, as it was widely expected after last comments of Russian central bank's head. The central bank cut interest rates by 50bp to 5.50% and said there is more room for monetary easing in the days to come.

On the domestic **interest rate market** no big changes were seen and the IRS and bond yields were hovering around levels from Thursday's end of day and the intraday moves did not exceed 3bp. On the core debt markets, yields started the day below Thursday's closing levels and were converging towards them during the day. The **Ministry of Finance** announced that today it will offer 9-, 21- and 48-week T-bills of total value PLN3-9.bn.

Today This week we will see important US data and Fed and ECB will hold their meetings. As regards central banks, we do not expect any important changes at the nearest meetings after both banks introduced large scale policy easing in the recent weeks. We keep the view that **EURPLN** is rather more likely to rise above 4.60 than to fall below 4.50 in the coming weeks. The zloty weakening could be supported by worsening moods on equity markets (global relief seems to be running out of steam) and on EM markets (stronger dollar), plus large scale of monetary expansion (record low real interest rates, quick NBP balance sheet expansion). Bond yields, especially at the short end of the curve, will be under the downward pressure of huge liquidity boost, after the reduction of reserve requirement rate and the launch of PFR financial shield.

Consumer inflation expectations



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,5216	CZKPLN	0,1661
USDPLN	4,1670	HUFPLN*	1,2626
EURUSD	1,0851	RUBPLN	0,0561
CHFPLN	4,2822	NOKPLN	0,3937
GBPPLN	5,1823	DKKPLN	0,6083
USDCNY	7,0777	SEKPLN	0,4172

*for 100HUF

Last session in the FX market 24.04.2020

	min	max	open	close	fixing
EURPLN	4,519	4,542	4,541	4,539	4,533
USDPLN	4,184	4,232	4,215	4,204	4,214
EURUSD	1,073	1,082	1,077	1,080	-

Interest rate market 24.04.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0,61	0	5.03.2020	OK0722	1,225
PS1024 (5Y)	1,00	-1	5.03.2020	PS1024	1,431
DS1029 (10Y)	1,37	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	0,34	-3	0,47	-4	-0,30	-6
2L	0,42	-2	0,38	-1	-0,26	-7
3L	0,46	-2	0,37	-1	-0,27	-5
4L	0,51	-2	0,40	0	-0,26	-7
5L	0,57	-3	0,45	1	-0,24	-6
8L	0,73	-3	0,56	-1	-0,14	-6
10L	0,84	-1	0,62	0	-0,07	-5

WIBOR rates

Term	%	Change (bps)
O/N	0,51	5
T/N	0,53	2
SW	0,51	-1
2W	0,56	-1
1M	0,65	0
3M	0,69	0
6M	0,71	0
1Y	0,76	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0,56	-2
3x6	0,23	-4
6x9	0,23	-3
9x12	0,23	-3
3x9	0,31	3
6x12	0,26	-3

Measures of fiscal risk

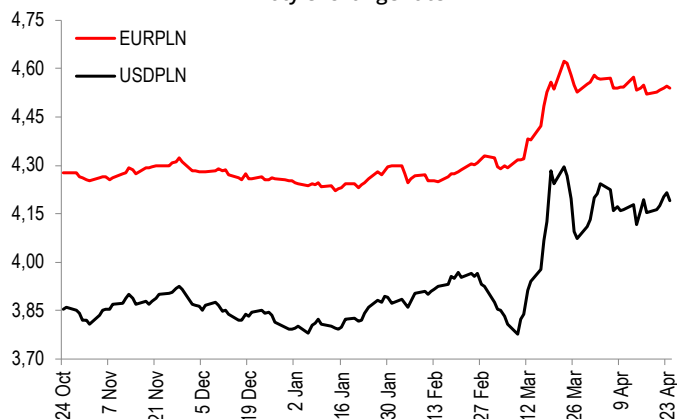
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	184	7
France	30	1	50	-1
Hungary	78	0	306	-1
Spain	131	-1	143	-5
Italy	174	-2	236	-7
Portugal	95	-5	157	-7
Ireland	38	1	69	-3
Germany	21	0	-	-

* 10Y treasury bonds over 10Y Bunds

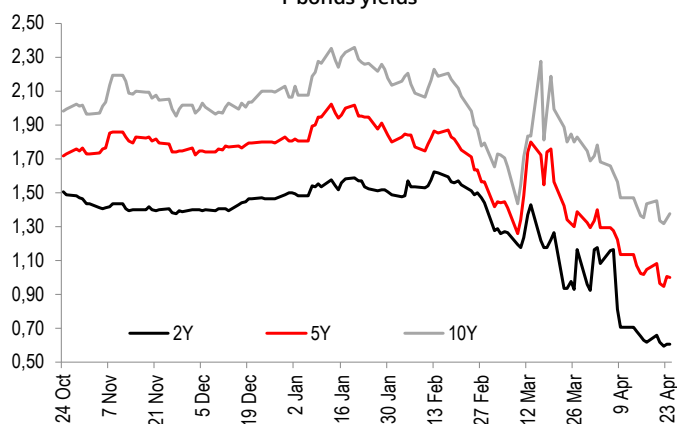
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

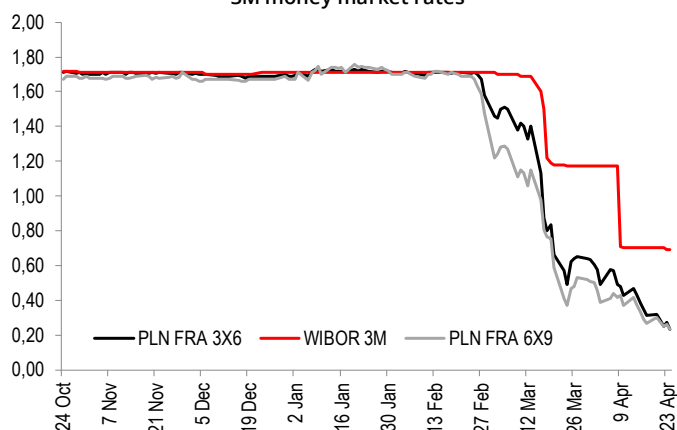
Zloty exchange rate



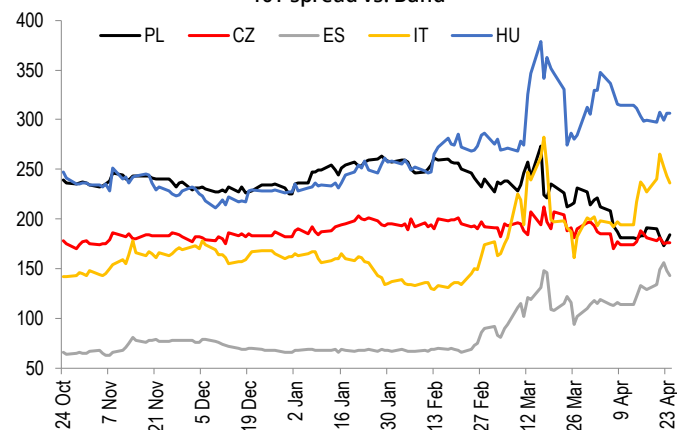
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	REALIZED	LAST VALUE*
FRIDAY (24 April)								
10:00	DE	IFO Business Climate	Apr	pts	80.0	-	74.3	86.1
10:00	PL	Unemployment Rate	Mar	%	5.6	5.5	5.4	5.5
14:30	US	Durable Goods Order	Mar	%	-11.0	-	-14.4	1.1
16:00	US	University of Michigan Sentiment	Apr	pts	69	-	70.1	71
MONDAY (27 April)								
15:00	RU	Retail sales	Mar	% y/y	2.6	-		4.7
TUESDAY (28 April)								
16:00	US	Consumer confidence index	Apr	pts	87.8	-		120.0
WEDNESDAY (29 April)								
14:30	US	Advance GDP	Q1	% q/q	-3.7	-		2.1
16:00	US	Pending home sales	Mar	% m/m	-12.5	-		2.4
20:00	US	Fed decision		%	0.0	-		0.0
THURSDAY (30 April)								
8:00	DE	Retail sales	Mar	% m/m	-8.4	-		1.2
13:45	EZ	ECB decision		%	0.0	-		0.0
14:30	US	Initial jobless claims	week	k	3250	-		4427
FRIDAY (1 may)								
	PL	Market holiday						
16:00	US	ISM – manufacturing	Apr	pts	36.7	-		49.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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