

28 April 2020

# Eyeopener

## Low volatility ahead of Fed and ECB

Stable markets at the start of the week  
Zloty and other CEE currencies roughly unchanged  
Yields resume declines  
Today US consumer confidence

The first session this week was quite calm, after the Bank of Japan launched additional monetary easing. European stock markets were hovering near their Friday's close, remaining in narrow consolidation ranges observed for a couple of days. US indices were rising, among others in reaction to more states announcing their intention to gradually relax coronavirus-related restrictions. Yields of German and US bonds soared and crude oil price fell significantly. There were no major moves in the FX market, dollar index increased slightly, Swiss franc weakened gently against euro, by c.0.4%. Gold price decreased, and this morning its decline was continued to \$1694/oz. This week important data releases are concentrated on Wednesday and Thursday but stock markets and the global market sentiment may be additionally under influence of quarterly financial reports from companies; only in the USA more than 100 firms is due to publish results.

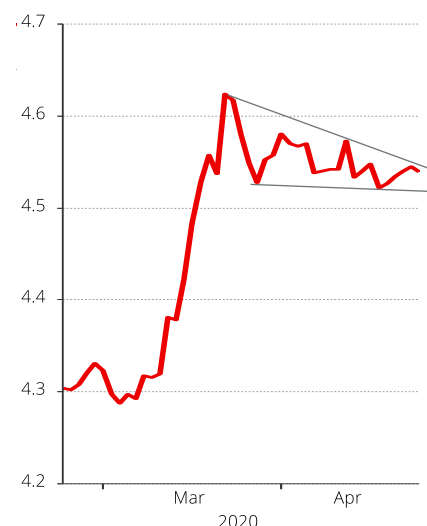
The MPC member Jerzy Kropiwnicki said yesterday that an interest rate hike, bringing the rate to pre-epidemic level, should be expected in a couple of months. However, about one week ago Kropiwnicki wrote he hoped the MPC will not rush to react to possible rise in inflation after the epidemic.

Yesterday EURUSD continued the rebound started on Friday and reached 1.086 as compared to 1.080 at the start of Asian session on Monday. We are not expecting a more permanent rebound in EURUSD. In our view the euro could gain versus the dollar as long as stock markets are in black, but we think that a downward correction on equities is more possible than further gains.

EURPLN and USDPLN did not change much yesterday and ended the day close to opening levels at 4.535 and 4.18, respectively. The EURPLN volatility range is gradually narrowing and in our view this is suggesting an imminent rise in volatility. Such a rise usually means a depreciation, at least in the EM world and we gather that in the upcoming weeks EURPLN will be moving upwards with natural target at 4.60. We also think that declines of CHFPLN below 4.30 are unlikely.

As regards other CEE currencies, EURHUF and USDRUB remained stable for long. USDRUB has still been staying in place this morning at 74.5 equal to Monday opening level. With oil price going down again, the stability may be related to positive reading of March retail sales at 5.6% y/y vs 2.0% market expectations. EURHUF started to move up only late in the session and finished the day above 355.5. Today the National Bank of Hungary decides on rates, most likely leaving them unchanged. EURCZK in turn remained in an upward trend from the beginning of the session. Seeing that it closed at 27.3, we think that it may continue to rise in the medium term, targeting 28.0.

On the domestic interest rate market IRS and bond yields resumed the down trend with the daily scale of move not exceeding 4bp. Yesterday Polish Development Fund (PFR) issued 4Y bonds for PLN16.3bn with 1.375% yield. Yesterday, Polish sovereign 4Y bond yielded c0.76%. Furthermore, yesterday the Ministry of Finance issued T-bills for the total amount of nearly PLN4.4bn (PLN0.9bn of 9-week, cPLN1.3bn of 21-week and cPLN2.2bn of 48-week bills).



Source: Refinitiv Datastream, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.5383	CZKPLN	0.1659
USDPLN	4.1982	HUFPLN*	1.2734
EURUSD	1.0810	RUBPLN	0.0566
CHFPLN	4.2901	NOKPLN	0.3979
GBPPLN	5.2070	DKKPLN	0.6085
USDCNY	7.0839	SEKPLN	0.4184

\*for 100HUF

### Last session in the FX market 4/27/2020

	min	max	open	close	fixing
EURPLN	4.512	4.536	4.527	4.532	4.524
USDPLN	4.161	4.188	4.179	4.186	4.170
EURUSD	1.083	1.086	1.084	1.083	-

### Interest rate market 4/27/2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.60	-1	5.03.2020	OK0722	1.225
PS1024 (5Y)	1.01	1	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.38	1	5.03.2020	DS1029	1.725

#### IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.33	-2	0.46	-1	-0.32	-1
2L	0.40	-2	0.39	1	-0.26	1
3L	0.44	-2	0.40	3	-0.27	0
4L	0.49	-2	0.43	3	-0.25	2
5L	0.54	-2	0.46	2	-0.22	2
8L	0.71	-3	0.61	5	-0.13	2
10L	0.81	-3	0.67	5	-0.05	2

#### WIBOR rates

Term	%	Change (bps)
O/N	0.52	1
T/N	0.52	-1
SW	0.52	1
2W	0.56	0
1M	0.64	-1
3M	0.69	0
6M	0.70	-1
1Y	0.76	0

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

Term	%	Change (bps)
1x4	0.54	-2
3x6	0.21	-2
6x9	0.18	-5
9x12	0.21	-3
3x9	0.26	-6
6x12	0.24	-2

#### Measures of fiscal risk

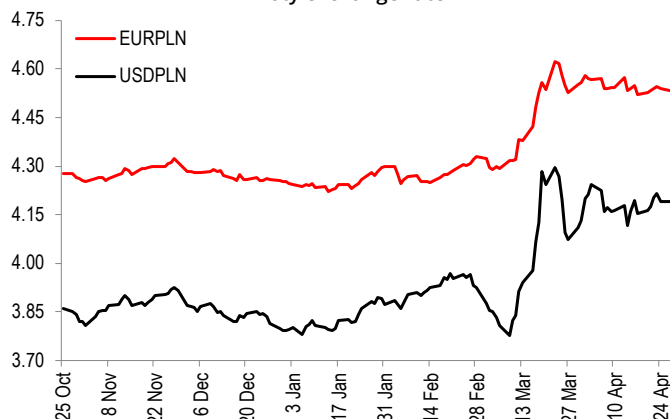
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	183	-2
France	29	-1	47	-3
Hungary	78	0	299	-7
Spain	125	-6	135	-8
Italy	161	-13	220	-16
Portugal	90	-5	149	-8
Ireland	36	-3	67	-2
Germany	21	-1	-	-

\* 10Y treasury bonds over 10Y Bunds

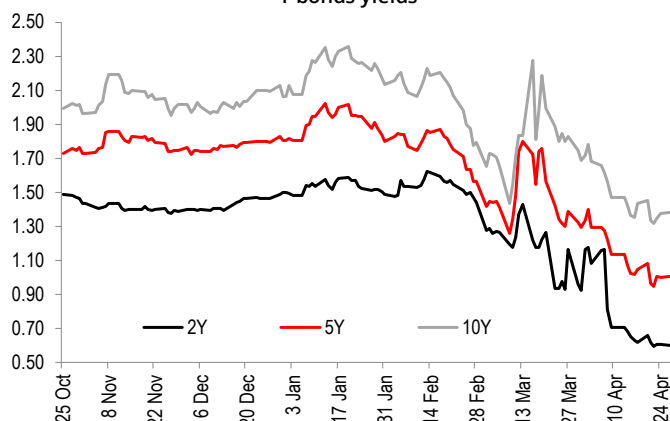
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

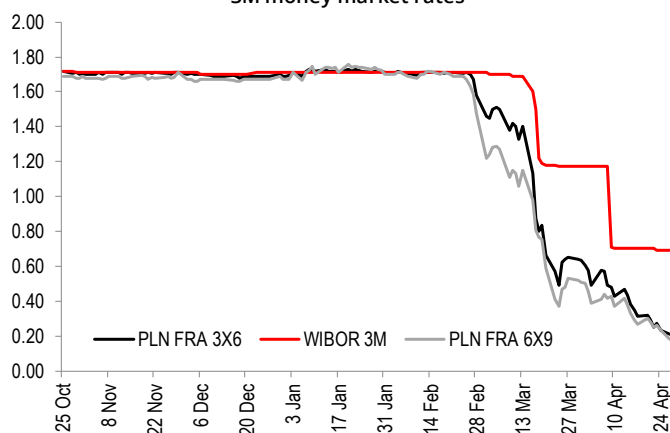
## Zloty exchange rate



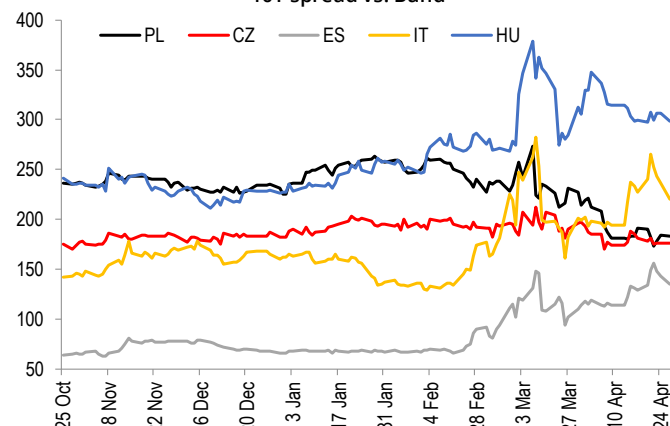
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

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	2.0	-	5.6	4.6
TUESDAY (28 April)								
16:00	US	Consumer confidence index	Apr	pts	88.0	-		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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