

Eyeopener

US interest rates will remain low for longer

Risky assets still perform well
Zloty underperforms other CEE regional currencies
POLGBs yields higher, IRS lower
Today Polish April flash CPI and the ECB meeting

On Wednesday optimistic moods persisted on global markets. Stock prices in Europe and USA were rising under influence of promising news about development of cure for COVID-19 by one of US companies. Another day of strengthening of risky assets did not prevent bond yields from falling. EM currencies were gaining thanks to persisting positive sentiment and the zloty was underperforming in this context. US flash GDP fell in 1Q20 slightly more than expected and the lack of major disappointment could have decided that the positive mood persisted until the end of the day. US pending home sales fell in March by 20% m/m.

Yesterday in the evening the **Fed left interest rates unchanged** at 0.00-0.25%. The post-meeting statement reads that rates will remain at low levels until the economy rebounds, especially until the labour market improves (reaches full employment) and inflation is back at 2%. Central bankers noted that the coronavirus crisis will have a significant impact on the economy. Moreover, during the press conference the Governor Jerome Powell said that, dependent on the economic situation, further actions of policymakers and central bankers could be necessary, but he assessed the current Fed actions as adequate. Powell stressed that both the depth and the length of the economic crisis are unknown and will depend on the virus containment.

EURUSD has been hovering in a narrow range around 1.086 ahead of the FOMC decision. After the meeting the rate climbed a bit to 1.0875 but in the morning it gave away its rises and opened at 1.0860. Since the start of the week the rate has been eager to go up, but these moves are temporary and the euro is unable to embark on an upward trend. Today the ECB is to decide on monetary policy parameters. In our view, no further easing will be announced and this could be EUR-positive.

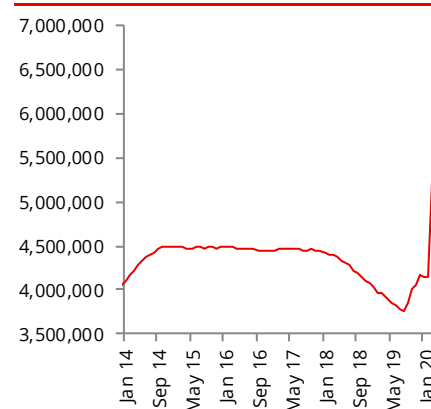
EURPLN moved around 4.545 through most of the session and only in late local trading hours the zloty started to show a more visible depreciation, testing 4.55. USDPLN moved between 4.17 and 4.20. The zloty did not gain on continued positive sentiment on stock exchanges and clearly underperformed other CEE currencies. We think such situation may hold in the nearest future.

Other **CEE currencies** benefitted from stronger equities. The forint regained the Tuesday loss, EURCZK set a new weekly low and USDRUB dropped to the lowest level since mid-April. The rouble was the best performer yesterday in the CEE, possibly due to a significant rise of oil price.

On the **domestic interest rate market** IRS resumed the down move while the bond yields rose slightly or remained stable though they tried to gain intraday. The scale of the yield's rise was much smaller than on the previous day. The 10Y Bund yields fell slightly and the spread vs respective Polish benchmark neared 200bp (196bp yesterday) while yet a week ago it was around 173bp. At the yesterday's auction the NBP purchased bonds for PLN13.6bn out of which a vast majority were bonds issued by the state owned BGK bank (PLN8.8bn) and Polish Development Fund (PFR, PLN3.7bn). After the yesterday's auction, the total value of bond purchased by the central bank rose above PLN62bn.

Today the stat office will **release flash April inflation**. We assume CPI fell to 2.6% from 4.6% in March. We think that the biggest impact on the drop was from lower prices of fuel, services and discounts in online stores. The risk related to this headline is particularly high given the likely difficulties the stat office faced when collecting prices of many goods and services. This uncertainty is reflected in a wide range of economists' estimates – from 2.6% to 4.0%, median 3.4%, according to Polish Press Agency.

Fed balance sheet (USD mln)



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.5474	CZKPLN	0.1675
USDPLN	4.1799	HUFPLN*	1.2828
EURUSD	1.0880	RUBPLN	0.0574
CHFPLN	4.2918	NOKPLN	0.4051
GBPPLN	5.2067	DKKPLN	0.6095
USDCNY	7.0471	SEKPLN	0.4246

*for 100HUF

Last session in the FX market 4/29/2020

	min	max	open	close	fixing
EURPLN	4.535	4.551	4.545	4.549	4.543
USDPLN	4.173	4.197	4.188	4.192	4.181
EURUSD	1.084	1.087	1.085	1.085	-

Interest rate market 4/29/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.59	-1	5.03.2020	OK0722	1.225
PS1024 (5Y)	1.04	0	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.47	3	5.03.2020	DS1029	1.725

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.31	-3	0.40	-5	-0.37	-2
2L	0.36	-5	0.34	-2	-0.30	-1
3L	0.40	-5	0.34	-2	-0.30	-1
4L	0.46	-2	0.37	-1	-0.29	-1
5L	0.52	-4	0.42	-1	-0.26	-1
8L	0.68	-3	0.56	1	-0.16	-1
10L	0.79	-3	0.63	2	-0.09	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.53	8
T/N	0.52	1
SW	0.52	0
2W	0.56	0
1M	0.64	0
3M	0.69	0
6M	0.69	-1
1Y	0.75	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.42	-13
3x6	0.22	2
6x9	0.18	-2
9x12	0.18	-2
3x9	0.24	-2
6x12	0.22	-4

Measures of fiscal risk

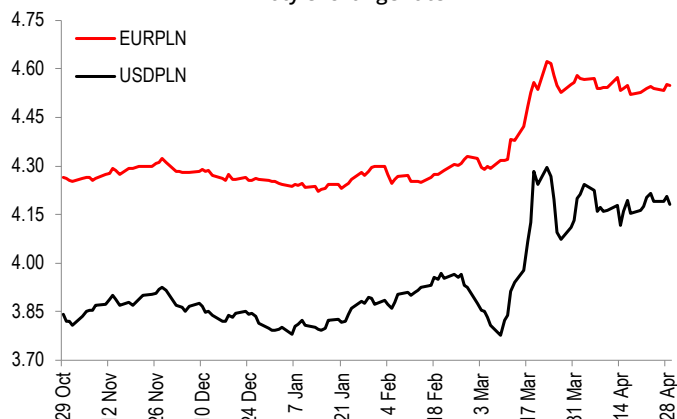
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	195	5
France	29	0	45	-1
Hungary	78	-1	261	-40
Spain	120	-3	129	-2
Italy	156	1	225	6
Portugal	85	-5	140	-4
Ireland	36	0	65	-1
Germany	20	0	-	-

* 10Y treasury bonds over 10Y Bunds

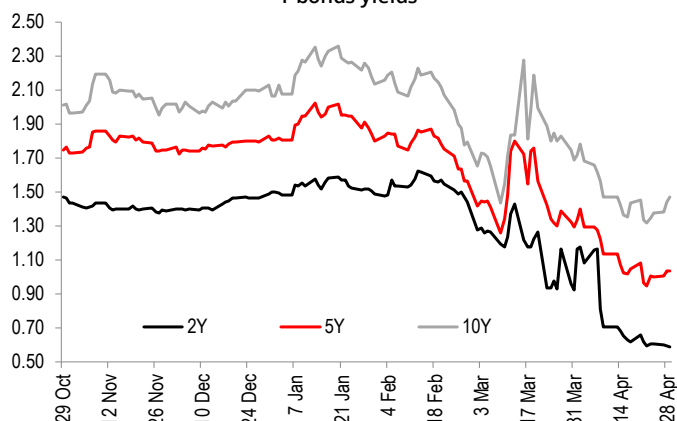
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

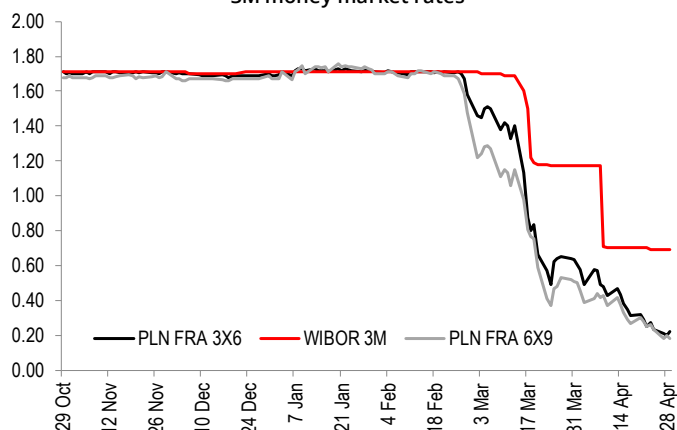
Zloty exchange rate



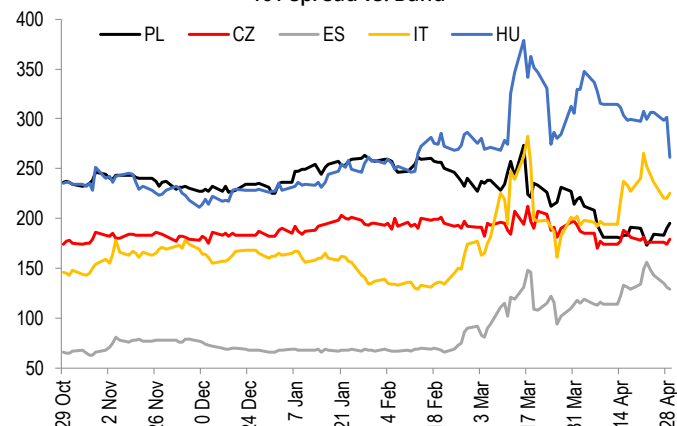
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		REALIZED	LAST VALUE*
					MARKET	SANTANDER		
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	-	86.9	118.8
WEDNESDAY (29 April)								
14:30	US	Advance GDP	Q1	% q/q	-3.7	-	-4.8	2.1
16:00	US	Pending home sales	Mar	% m/m	-12.5	-	-20.8	2.3
20:00	US	Fed decision		%	0.0	-	0.0	0.0
THURSDAY (30 April)								
8:00	DE	Retail sales	Mar	% m/m	-8.0	-	-5.6	0.8
10:00	PL	Flash CPI	Apr	% y/y				
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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