

5 May 2020

# Eyeopener

## Volatile moods at the start of the week

Risky assets under pressure  
Poland PMI at record low  
EURPLN stable at high level  
Polish yields down, IRS up  
Today US services activity indexes

Stock markets began the week with a sell-off, with indices falling by 4% in Hong Kong, 3% in Europe and 1% in the USA. A similar scale of decline was observed in the EM, which also saw their currencies depreciate. The dollar index rebounded significantly after temporary Friday weakness and reached 99.5 again. Core yields were stable (in Germany) or were going up (USA). Neither oil nor precious metals prices changed markedly. The series of April PMI in industry showed very low readings, in line with expectations. The dollar gained after weaker-than-expected US data on durable goods orders. Today at the start of the session the stock markets are calmer after strong declines on Monday.

**In April, Polish manufacturing PMI** fell from 42.4pts to 31.9pts, the lowest in history of the survey (June 1998) and after the biggest monthly decline ever. All-time lows were also hit by subindices for output, new orders, stocks of purchases and suppliers' delivery times. Employment subindex was very close to a record low. Declines in the index were obviously caused by the coronavirus-related lockdown and we hope that these dramatic falls will end soon when the restrictions will be gradually lifted. Still, the coronavirus' economic toll is likely to last for a few quarters at least.

Despite dynamic rises just before the weekend, **EURUSD** started this week with a decline to 1.091 (by 0.8%) offsetting the recent gains. The argument that the pair should rebound to 1.15 seemed to gain in gravity after ECB's Lagarde reassured she will not tolerate euro zone fragmentation talks, but apparently it needs more market supporters. After Monday move the rate is below all three major moving averages and has to surpass 1.103 so that the claim of more persistent euro appreciation remains valid. Otherwise, the rate is likely to go down with the first target at 1.08.

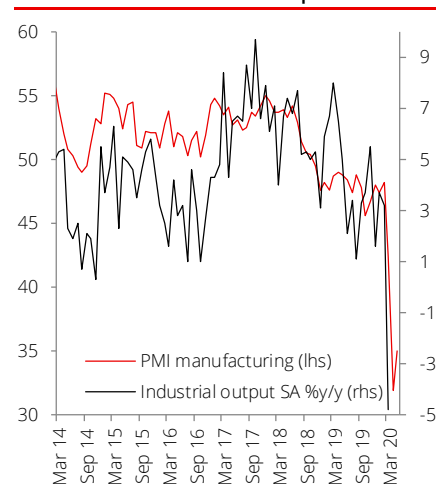
**EURPLN** opened around the Friday close (4.57) then dipped for a shortly below 4.55. In the second part of the day, it returned to 4.57 only to fall to 4.56 before the end of the session. Realised volatility dropped below 5%. With implied 1M volatility slightly above 7% and 1M risk reversals at 1.5% holding of short-term fx positions against the zloty via options looks expensive, so while we believe the local currency should weaken more in the medium-term, the with each day EURPLN does not break above 4.60 the probability grows of a small correction to c4.48.

**As for other regional currencies**, EURHUF remained rangebound for another day. In case EURHUF does not rise in the short term, we would expect EURHUF to correct temporarily lower. Hungary was probably the only country where the April manufacturing PMI was higher than the reading from the month before (33.6 vs 28.5) however still remains at a low absolute level. EURCZK decreased to 27.1 giving back almost all of the previous week's gains. Czech manufacturing PMI decreased in April to 35.1 from 41.3 in March.

**On the Polish fixed income market**, front end bond yields decreased e.g. 2Y do 0.53% by 7pb which is consistent with abundant liquidity which entered the market after reserve requirement ratio cut. 2Y IRS increased to 0.42% by roughly 4pb, thanks to profit taking, also FRA 9x12 increased to 0.23% from 0.19%. On the long end of the curve both bond yields and swaps increased – 10Y POLGBs to 1.53% while 10Y IRS to 0.89% hence the asset swap remained stable there 64bp. The 10Y spread vs Bund, which by itself has not changed much on Monday, has widened to 209pb.

**Today's** main data are US PMI and ISM services indices.

Poland PMI and industrial output



Source: Ministry of Finance, Santander

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## FX market

### Today's opening

EURPLN	4,5401	CZKPLN	0,1676
USDPLN	4,1625	HUFPLN*	1,2849
EURUSD	1,0910	RUBPLN	0,0561
CHFPLN	4,3101	NOKPLN	0,4053
GBPPLN	5,1881	DKKPLN	0,6086
USDCNY	7,0602	SEKPLN	0,4237

\*for 100HUF

### Last session in the FX market 04.05.2020

	min	max	open	close	fixing
EURPLN	4,547	4,570	4,564	4,560	4,558
USDPLN	4,158	4,188	4,173	4,179	4,165
EURUSD	1,090	1,095	1,094	1,091	-

## Interest rate market 04.05.2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0,50	-9	5.03.2020	OK0722	1,225
PS1024 (5Y)	1,04	6	5.03.2020	PS1024	1,431
DS1029 (10Y)	1,54	7	5.03.2020	DS1029	1,725

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,35	3	0,36	-1	-0,40	0
2L	0,41	5	0,31	0	-0,33	1
3L	0,46	4	0,31	-2	-0,34	1
4L	0,53	5	0,37	1	-0,34	0
5L	0,59	5	0,40	1	-0,32	0
8L	0,78	5	0,55	0	-0,22	1
10L	0,89	6	0,62	1	-0,14	1

## WIBOR rates

Term	%	Change (bps)
O/N	0,42	-11
T/N	0,48	-6
SW	0,51	-1
2W	0,56	0
1M	0,64	0
3M	0,68	0
6M	0,69	0
1Y	0,75	0

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

Term	%	Change (bps)
1x4	0,40	0
3x6	0,23	2
6x9	0,23	3
9x12	0,25	8
3x9	0,28	5
6x12	0,27	2

## Measures of fiscal risk

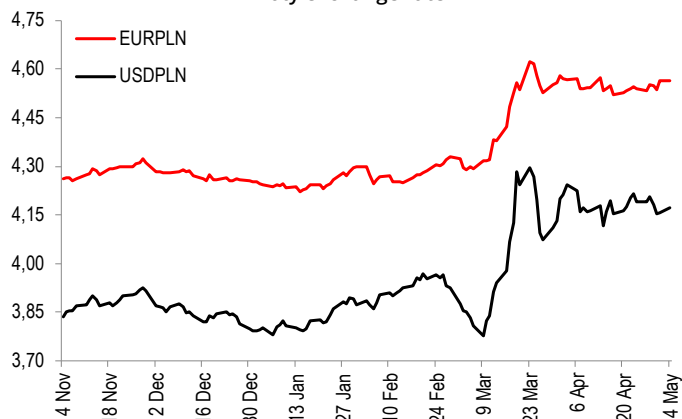
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	210	5
France	29	0	51	3
Hungary	77	0	274	5
Spain	122	1	139	8
Italy	163	4	232	-5
Portugal	85	0	144	2
Ireland	36	0	68	2
Germany	20	0	-	-

\* 10Y treasury bonds over 10Y Bunds

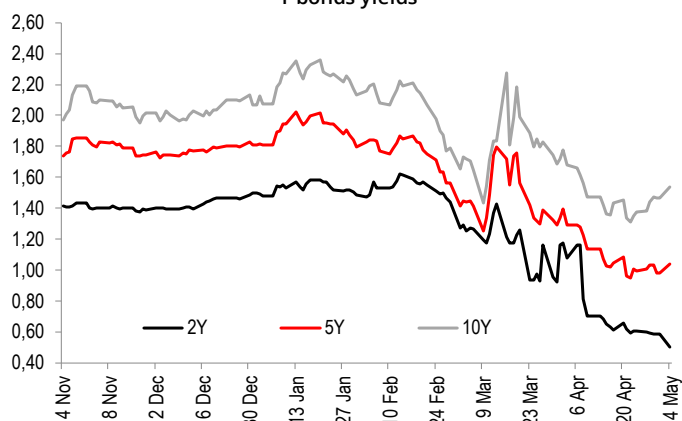
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

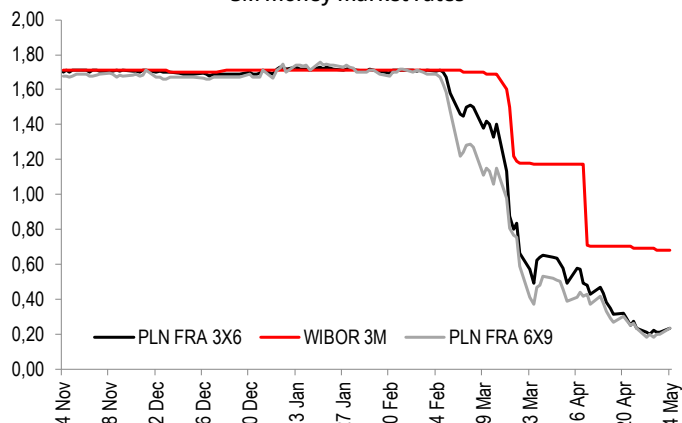
## Zloty exchange rate



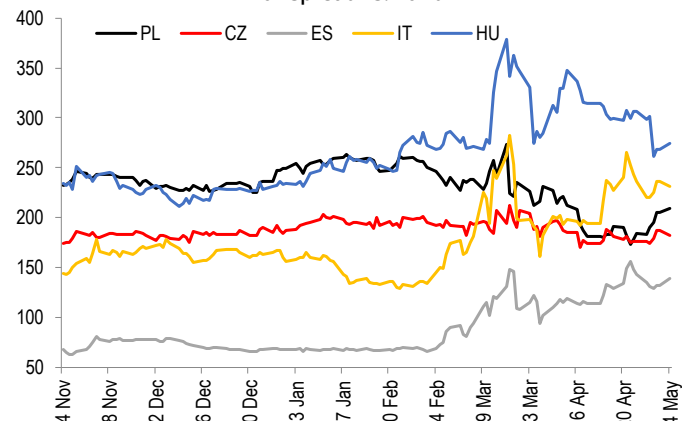
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		REALIZED	LAST VALUE*
					MARKET	SANTANDER		
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	-	2.6	3.4	4.6
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	39.1	-	41.5	49.1
MONDAY (4 May)								
9:00	PL	PMI – manufacturing	Apr	pts	-	35.3	31.9	42.4
9:55	DE	PMI – manufacturing	Apr	pts	34.4	-	34.5	34.4
10:00	EZ	PMI – manufacturing	Apr	pts	33.6	-	33.4	33.6
TUESDAY (5 May)								
16:00	US	ISM – services	Apr	pts	-	-		48.0
WEDNESDAY (6 May)								
8:00	DE	Factory orders	Mar	% m/m	-	-		-1.4
9:55	DE	PMI – services	Apr	pts	34.3	-		15.9
10:00	EZ	PMI – services	Apr	pts	28.4	-		11.7
14:15	US	ADP report	Apr	k	-13 050	-		-27
THURSDAY (7 May)								
4:00	CN	Exports	Apr	% y/y	-	-		-6.6
15:00	RU	CPI	Apr	% y/y	3.1	-		2.5
FRIDAY (8 May)								
14:30	US	Nonfarm payrolls	Apr	k	-20 000	-		-701
14:30	US	Unemployment rate	Apr	%	14.0	-		4.4

Source: Santander Bank Polska, Bloomberg, Parkiet  
\* in the case of a revision the data is updated

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