

8 May 2020

# Eyeopener

## Czechs with lowest rates in CEE region

Stocks gain despite poor US and German data  
 EURPLN sharply up at the end of the session  
 No big changes on the Polish FI market  
 Today US monthly nonfarm payrolls

On Thursday, stock were on the rise again and volatility dropped (VIX index down to the 31.5% support level). Positive sentiment on equity market was due to rising NASDAQ and despite worse than expected US labour market report – in the week ending on 2 May there were 3.17mn initial jobless claims. One day ahead of the next US labour market release, Neel Kashkari from Minneapolis Fed said that the unemployment rate will rise to very high levels and the way out of the crisis will be long and gradual. The dollar index remained at 100.25 and 10Y US bond yield rose to 0.72% at first but closed below 0.70%. Gold price was stable, industrial metals prices went up slightly. Brent oil price rose by c.7% to US\$31/bbl after Saudi Arabia decreased the discounts it offered to buyers, in a move to support market prices. Analysts consider this a sign of rebuilding demand. In Germany, March industrial output surprised negatively with -11.6% y/y vs -8.9% market expectations. Bank of England did not change interest rates (main at 0.1%) and its QE size. BoE head Andrew Bailey said the bank may increase the economic stimulus at the meeting next month and his words were interpreted as a sign that an open-ended bond purchase programme may be created.

**EURUSD** was stable for the better part of the day, near 1.08, but at the end of the session started decreasing and closed at 1.078. Options markets remained quite stable, but despite decreasing EURUSD on Thursday there was bigger client interest in contracts protecting against move up, especially in the short term. Since April, EURUSD already three times tried to break through 1.08 for longer but so far it was unsuccessful (including yesterday's attempt). Today at the opening the rate is near 1.084 and its behaviour later in the day will be determined by the US monthly jobs report. We do not think, however that the release will set a long-lasting trend.

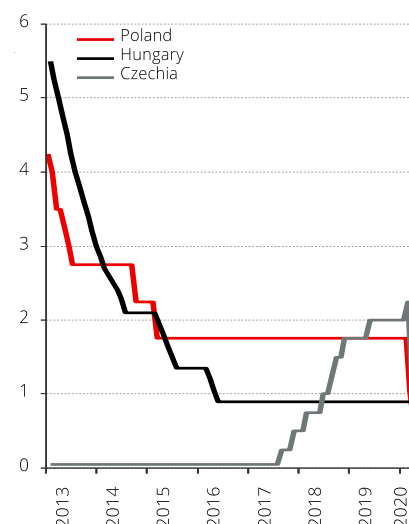
**EURPLN** opened at 4.55 which was actually quite high given events of the previous day and was gradually receding towards 4.542. In the final hours of the day the exchange rate followed the pattern from Wednesday and jumped to 4.562. At the end of the session the rate went back to 4.553. The option markets did not react to this development yet and remained stable. However, it seems that in the short run EURPLN will be climbing towards 4.57.

**In the CEE region**, EURHUF opened at 351 on Thursday and was going down to 349, which contrasted with rather weak data – March industrial output fell by 10.0% y/y as compared to expectations at -7.4% y/y. At the end of the day, EURHUF took the cue from EURPLN and ended the day at 351.2. In Czechia the central bank cut rates by 75bp to 0.25% and surprised the markets with consensus at -50bp. The bank Governor said that the CNB rates can go even to 0.00%. This undermined the koruna, which held stable for the better part of the day and EURCZK jumped to 27.3 by 0.7%, while 10Y Czech yields fell by 10bp to 1.1%. The climbing oil prices supported the ruble with the RUB basket falling by 0.9% to 76.55.

**On the Polish fixed income market** bond auction took place on Thursday. Demand was at PLN8.5bn and the Ministry of Finance sold bonds for the total of PLN5.0bn in five series: OK0722 (PLN1.3bn), PS0425 (PLN1.1bn), WZ0525 (PLN1.0bn), WZ1129 (PLN0.22bn), DS1030 (PLN1.44bn). On the short end of the IRS curve yields tried to break 0.50% from below but without success – 2Y closed at 0.49%. The 2Y bond yields have risen 3bp to 0.57%. On the long end of the curve 10Y IRS traded above 0.95% for a while only to close the day at 0.93%. Yields of 10Y bonds declined to 1.53% (implying 10Y asset swap at 60bp). Given Bund yield of -0.55%, 10Y PL-DE spread traded relatively stable in the vicinity of 208bp.

**Today** in the USA important data on non-farm payrolls are released (for April), in Poland the second auction of Polish Development Fund will be held.

### Main interest rates of the CEE central banks



Source: Refinitiv Datastream, Santander Bank Polska

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4,5530 | CZKPLN  | 0,1669 |
| USDPLN | 4,1994 | HUFPLN* | 1,2861 |
| EURUSD | 1,0842 | RUBPLN  | 0,0568 |
| CHFPLN | 4,3181 | NOKPLN  | 0,4113 |
| GBPPLN | 5,2025 | DKKPLN  | 0,6101 |
| USDCNY | 7,0746 | SEKPLN  | 0,4286 |

\*for 100HUF

### Last session in the FX market 07.05.2020

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4,539 | 4,563 | 4,547 | 4,546 | 4,551  |
| USDPLN | 4,200 | 4,236 | 4,210 | 4,204 | 4,216  |
| EURUSD | 1,077 | 1,082 | 1,080 | 1,081 | -      |

## Interest rate market 07.05.2020

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

| Benchmark (term) | %    | Change (bps) | Last auction | Series | Average yield |
|------------------|------|--------------|--------------|--------|---------------|
| PS0422 (2Y)      | 0,56 | 2            | 5.03.2020    | OK0722 | 1,225         |
| PS1024 (5Y)      | 1,07 | 1            | 5.03.2020    | PS1024 | 1,431         |
| DS1029 (10Y)     | 1,55 | -2           | 5.03.2020    | DS1029 | 1,725         |

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

| Term | PL   |              | US   |              | EZ    |              |
|------|------|--------------|------|--------------|-------|--------------|
|      | %    | Change (bps) | %    | Change (bps) | %     | Change (bps) |
| 1L   | 0,39 | -1           | 0,30 | -4           | -0,37 | 0            |
| 2L   | 0,49 | 1            | 0,25 | -4           | -0,30 | 1            |
| 3L   | 0,53 | 1            | 0,25 | -6           | -0,32 | 0            |
| 4L   | 0,59 | 1            | 0,29 | -4           | -0,32 | 0            |
| 5L   | 0,65 | 0            | 0,33 | -6           | -0,31 | -2           |
| 8L   | 0,82 | 0            | 0,50 | -6           | -0,21 | -2           |
| 10L  | 0,93 | -1           | 0,60 | -5           | -0,14 | -4           |

## WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 0,30 | -2           |
| T/N  | 0,46 | 11           |
| SW   | 0,51 | 0            |
| 2W   | 0,53 | -1           |
| 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  | 0,41 | -2           |
| 3x6  | 0,29 | 3            |
| 6x9  | 0,30 | 1            |
| 9x12 | 0,31 | -1           |
| 3x9  | 0,34 | 4            |
| 6x12 | 0,36 | 1            |

## Measures of fiscal risk

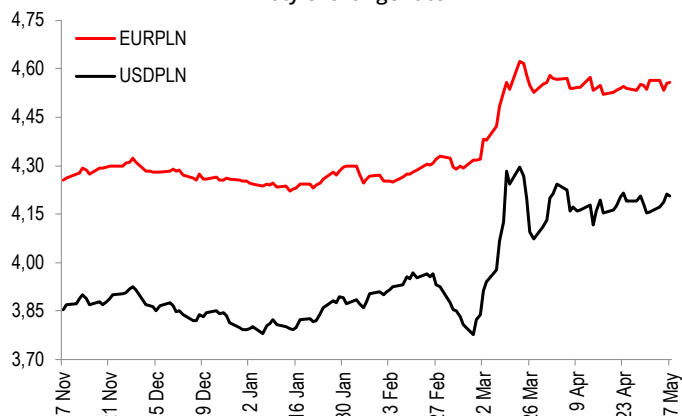
| Country  | CDS 5Y USD |              | 10Y spread* |              |
|----------|------------|--------------|-------------|--------------|
|          | Level      | Change (bps) | Level       | Change (bps) |
| Poland   | 57         | -1           | 210         | 3            |
| France   | 28         | 0            | 52          | 0            |
| Hungary  | 77         | 0            | 276         | 11           |
| Spain    | 126        | 0            | 144         | 1            |
| Italy    | 175        | -1           | 245         | -3           |
| Portugal | 90         | 0            | 151         | 1            |
| Ireland  | 34         | 0            | 71          | 2            |
| Germany  | 20         | 0            | -           | -            |

\* 10Y treasury bonds over 10Y Bunds

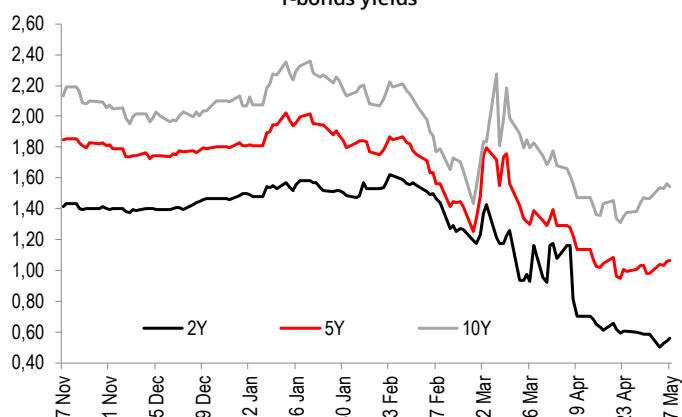
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

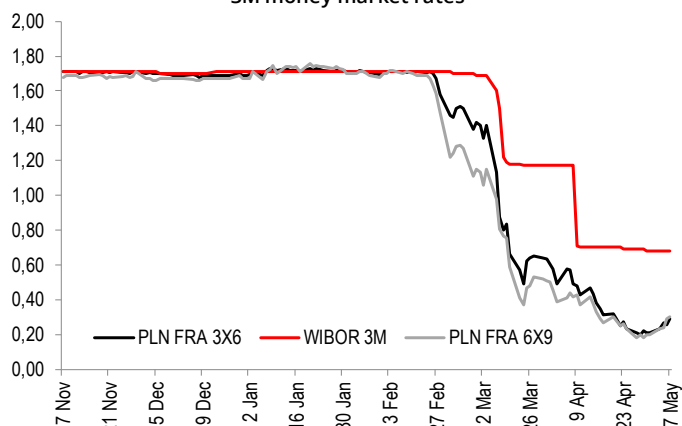
## Zloty exchange rate



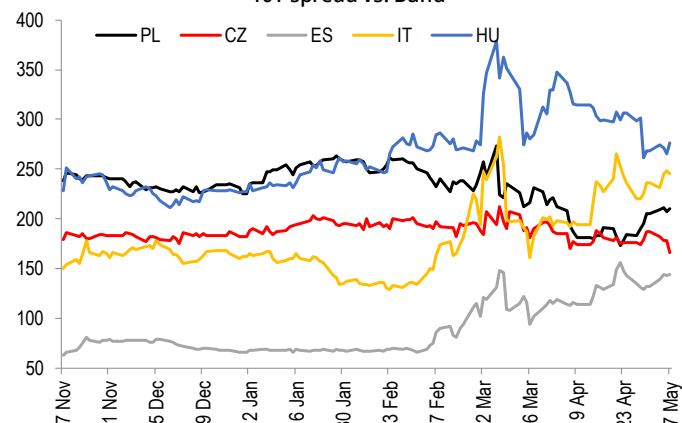
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| TIME<br>CET         | COUNTRY | INDICATOR              | PERIOD |       | FORECAST<br>MARKET | SANTANDER | REALIZED | LAST<br>VALUE* |
|---------------------|---------|------------------------|--------|-------|--------------------|-----------|----------|----------------|
| 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   | 38.0               | -         | 41.8     | 52.5           |
| WEDNESDAY (6 May)   |         |                        |        |       |                    |           |          |                |
| 8:00                | DE      | Factory orders         | Mar    | % m/m | -10.0              | -         | -15.6    | -1.2           |
| 9:55                | DE      | PMI – services         | Apr    | pts   | 15.9               | -         | 16.2     | 15.9           |
| 10:00               | EZ      | PMI – services         | Apr    | pts   | 11.7               | -         | 12.0     | 11.7           |
| 14:15               | US      | ADP report             | Apr    | k     | -20 550            | -         | -20 236  | -149           |
| THURSDAY (7 May)    |         |                        |        |       |                    |           |          |                |
| 4:00                | CN      | Exports                | Apr    | % y/y | -11.0              | -         | 3.5      | -6.6           |
| 14:30               | CZ      | Central bank decision  |        | %     | 0.50               | -         | 0.25     | 1.0            |
| FRIDAY (8 May)      |         |                        |        |       |                    |           |          |                |
| 14:30               | US      | Nonfarm payrolls       | Apr    | k     | -21 250            | -         |          | -701           |
| 14:30               | US      | Unemployment rate      | Apr    | %     | 16.0               | -         |          | 4.4            |

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

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