

11 May 2020

Eyeopener

New bad data from the USA

Calm end of the week despite US data
EURPLN with no major changes
No direction on the Polish interest rate market
Today no important releases

Relatively good mood during Friday session finished the week rather insignificant volatility. Stock indices were rising after US and China both confirmed they would be working together to make the first phase of the trade deal work. Monthly US job report showed that in April the non-farm payrolls decreased by 20.5mn, and despite the fact it has been the worst reading in history, it was still slightly better than expected. Unemployment rate increased to 15% the highest reading in almost 100 years. It is worth noting that majority of the layoffs has been marked as temporary and was possibly related to the increase in unemployment benefits (which are now 50% higher than the average salary in the US economy). The ECB president said that the central bank should have no limits in supporting the European economy. The statement coincided with the news which stated that ECB is considering adding non-investment grade bonds to its asset purchase programme.

Deputy finance minister Piotr Patkowski said that due to the epidemic **this year's borrowing needs** will be PLN110bn higher than planned (estimated earlier by deputy finance minister Piotr Nowak at PLN100bn). In our view actual borrowing needs would be twice higher, if the government did not order some issuance to be done outside the central budget, by Polish Development Fund and state-owned bank BGK. We expect general government deficit to exceed 10% GDP this year.

According to the **Chamber of Polish Hotels**, after some epidemic restrictions had been lifted, only c.10% opened. The chamber assumes that more will do so only after restaurants are allowed to operate normally, which in Deputy PM Emilewicz's view will happen in the second half of May.

EURUSD was hovering on Friday around 1.083, in the smallest daily range recorded last week. Today there are no major data releases in the agenda, so the currency should remain stable. EURUSD has been staying close to 1.08, the level it is not able to break through, nor clearly deviate from to the upside.

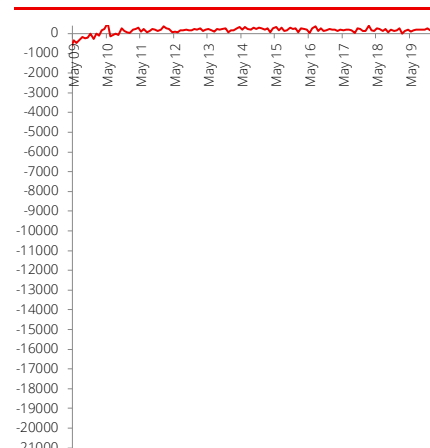
EURPLN decreased slightly from 4.56 to 4.545, but the move did not change the market situation. Currency fluctuations last week were the smallest since mid-February. USDPLN remained close to 4.20. The narrowing range of fluctuations heralds a spike in volatility, which for the EM currencies is usually unsupportive. We stick to the view that EURPLN has bigger chances of breaking through 4.60 than 4.50.

As to the **other CEE currencies**, the forint, the ruble and the koruna all gained thanks to good global markets mood. The biggest gains were seen in the ruble despite the fact that the oil price has not increased as significantly as in the previous days, and the USD gained towards the end of the week.

On the **domestic interest rate market**, IRS rates and bond yields rose by 1-3bp on the belly and the short end, while the 10Y segment decreased by 2bp. No big changes and no unidirectional move of the entire curve may be a result of the relatively calm trading on core markets. On Friday, Polish Development Fund placed PLN18.5bn worth of 5Y bonds and BGK placed PLN8bn of 7Y bonds.

This week, there will be a handful of inflation data, also from Poland, but currently inflation is not the main source of concern for the central banks and governments, which are focusing on how to keep companies and economies alive. That is why the flash GDPs (including Polish) would be of higher importance. The (very) bad news regarding the 1H20 seem to be priced in by the markets to a large extent hence only the deterioration of the path of economic recovery after the crisis might bring about worse global market sentiment. The zloty has been underperforming its EM peers over the last two weeks. We think the pair is more likely to escape from the 4.50-4.60 range to the upside than the other way in the nearest future. On the Polish bond market, the front end bond yields are likely to decline a bit as the banking sector remains overliquid while on the bond long end we might see a continuation yield rise, nearing towards 1.60% amid falling demand from foreign investors. NBP's QE programme should limit the yield rise and we do not expect a major sell-off.

US non-farm payrolls, m/m change in thousand



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4,5439	CZKPLN	0,1665
USDPLN	4,1915	HUFPLN*	1,2884
EURUSD	1,0840	RUBPLN	0,0572
CHFPLN	4,3144	NOKPLN	0,4100
GBPPLN	5,2029	DKKPLN	0,6091
USDCNY	7,0839	SEKPLN	0,4288

*for 100HUF

Last session in the FX market 08.05.2020

	min	max	open	close	fixing
EURPLN	4,544	4,560	4,551	4,547	4,558
USDPLN	4,179	4,213	4,197	4,190	4,207
EURUSD	1,081	1,088	1,084	1,085	-

Interest rate market 08.05.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0,57	0	5.03.2020	OK0722	1,225
PS1024 (5Y)	1,06	-1	5.03.2020	PS1024	1,431
DS1029 (10Y)	1,54	-1	5.03.2020	DS1029	1,725

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,39	0	0,31	1	-0,36	0
2L	0,50	1	0,24	-1	-0,31	-1
3L	0,54	1	0,25	1	-0,33	-1
4L	0,60	1	0,29	0	-0,32	0
5L	0,66	1	0,35	2	-0,29	2
8L	0,83	1	0,54	4	-0,19	2
10L	0,94	1	0,63	3	-0,11	3

WIBOR rates

Term	%	Change (bps)
O/N	0,46	16
T/N	0,48	2
SW	0,51	0
2W	0,53	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	0,42	0
3x6	0,29	0
6x9	0,31	1
9x12	0,35	4
3x9	0,35	1
6x12	0,35	-2

Measures of fiscal risk

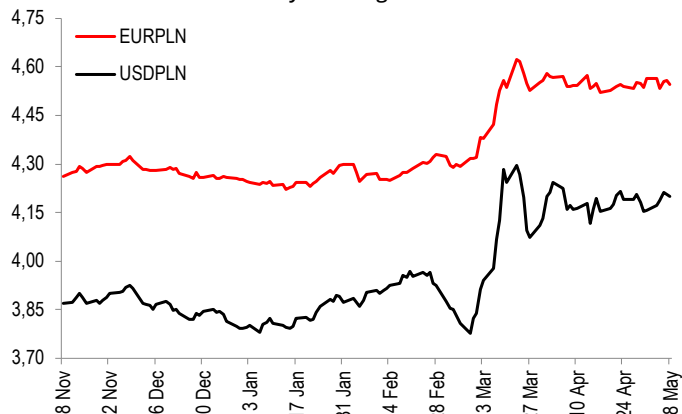
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	-1	207	-3
France	28	0	50	-2
Hungary	77	0	270	-6
Spain	126	0	140	-4
Italy	175	0	232	-13
Portugal	90	0	147	-4
Ireland	34	0	68	-3
Germany	20	0	-	-

* 10Y treasury bonds over 10Y Bunds

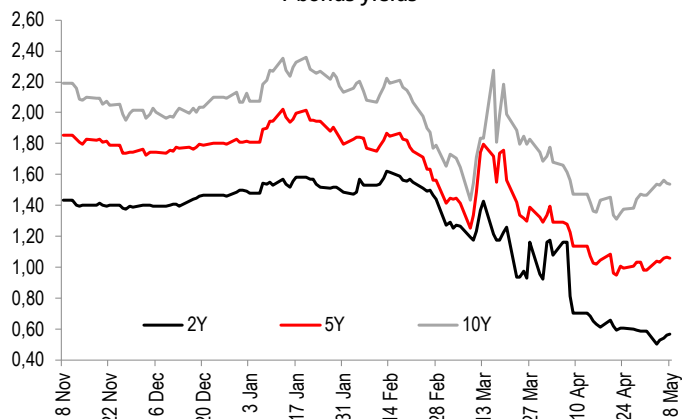
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

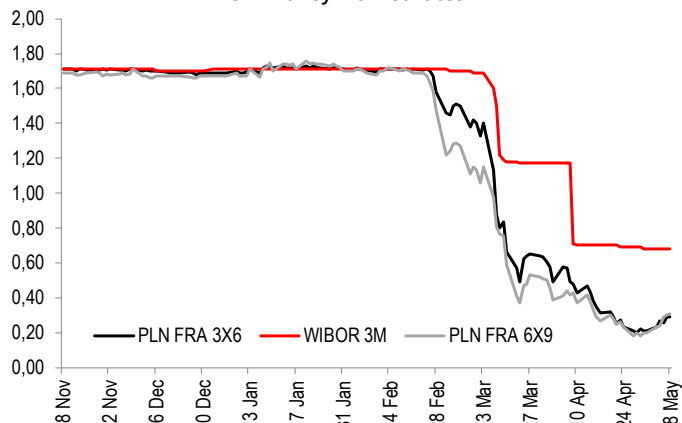
Zloty exchange rate



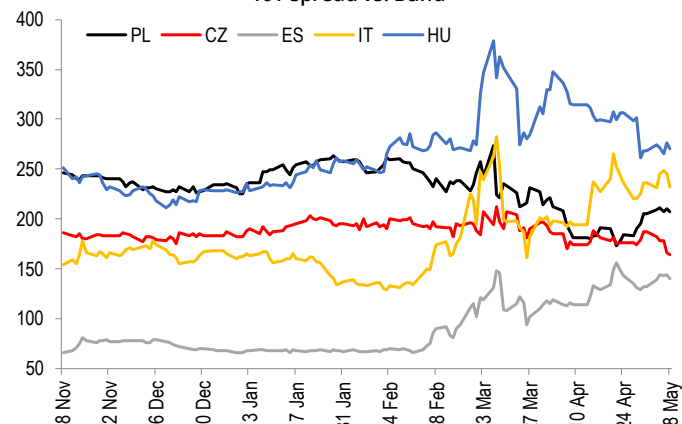
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	REALIZED	LAST VALUE*
FRIDAY (8 May)								
14:30	US	Nonfarm payrolls	Apr	k	-21 250	-	-20 500	-870
14:30	US	Unemployment rate	Apr	%	16.0	-	14.7	4.4
MONDAY (11 May)								
No important data releases								
TUESDAY (12 May)								
14:30	US	CPI	Apr	% y/y	0.4	-		1.5
WEDNESDAY (13 May)								
	PL	NBP bond purchase auction						
09:00	CZ	CPI	Apr	% y/y	3.1	-		3.4
11:00	EZ	Industrial Production SA	Mar	% m/m	-12.0	-		-0.1
THURSDAY (14 May)								
08:00	DE	HICP	Apr	% m/m	0.4	-		0.4
14:00	PL	Current Account Balance	Mar	€mn	821	432		659
14:00	PL	Trade Balance	Mar	€mn	700	642		525
14:00	PL	Exports	Mar	€mn	18 665	18 915		19 463
14:00	PL	Imports	Mar	€mn	18 470	18 273		18 938
14:30	US	Initial Jobless Claims	week	k	3000	-		3169
FRIDAY (15 May)								
08:00	DE	Flash GDP	1Q	% y/y	-2.0	-		0.4
09:00	CZ	Flash GDP	1Q	% y/y	-1.95	-		2.0
09:00	HU	Flash GDP	1Q	% y/y	2.2	-		4.5
10:00	PL	CPI	Apr	% y/y	-	3.4		3.4
10:00	PL	Flash GDP	1Q	% y/y	1.8	0.9		3.2
11:00	EZ	Flash GDP	1Q	% y/y	-3.3	-		-3.3
14:30	US	Retail Sales Advance	Apr	% m/m	-11.0	-		-8.4
15:15	US	Industrial Production	Apr	% m/m	-11.4	-		-5.4
16:00	US	Flash Michigan index	May	pts	67.5	-		71.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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