

15 May 2020

Eyeopener

How much did GDP decelerate in 1Q?

Risky assets still under pressure
 Marked improvement in Poland's current account
 EURPLN close to 4.57, dollar gaining vs euro
 Polish bonds stronger
 Today Poland's GDP and CPI

The pessimism that showed up on the markets after the Wednesday speech by Fed chairman only strengthened during the Thursday session. No plans to introduce negative rates were also mentioned by BoE head Andrew Bailey, and BoJ's Haruhiko Kuroda did not see a reason to go lower with the already negative rates. Donald Trump's remarks also weighed on market sentiment: he threatened a complete breakup of relations with China. What is more, the weekly change of unemployment in the USA was higher than expected. As a result, stock indexes in Europe saw quite large declines and most of EM currencies lost vs the euro and the dollar. On the core markets, US bonds gained and German ones weakened.

March **balance of payments data** showed a major improvement in current account to €2.4bn from €0.9bn in February versus expectations at €0.9bn. There was a major improvement in primary incomes balance on assumed deterioration of reinvested earnings. Exports fell by 7.5% and imports by 4.5%, with deeper declines likely to come in the following months due to the pandemic. More in our [Economic Comment](#).

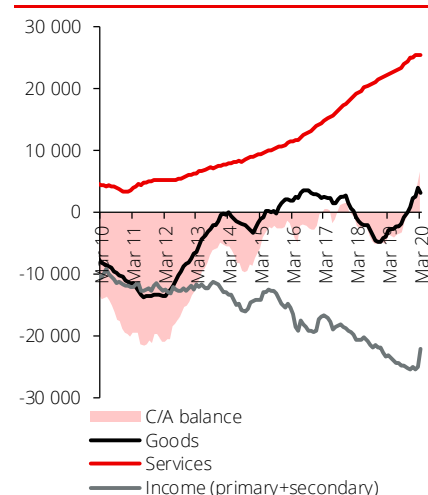
EURUSD was testing 1.08 after two days ago it was trying to rise above 1.09. The dollar gained thanks to higher demand for the risky assets and weaker expectations for negative interest rates in the USA. Today in the afternoon next US data will be released – retail sales and industrial output – but we do not expect these releases to trigger any meaningful move and EURUSD is likely to remain near 1.08 at the end of the week.

EURPLN was hovering around 4.57 while USDPLN extended the rise temporarily to 4.24 owing to the stronger dollar. The zloty outperformed its **CEE peers**. The koruna was the weakest CEE currency yesterday – EURCZK was testing 27.6, nearing 28.0 which is the upper end of the consolidation in which it has been holding since mid-March. The forint has also lost vs the euro but this was the smallest daily depreciation so far this week. USDRUB remained stable.

On the **domestic interest rate market** IRS and bond yields continued to decline but this time the scale of move did not exceed 10bp and the turnover was low again. The asset swap spreads stabilised. Polish 10Y bond outperformed Bund again and the yield spread fell to 180bp.

Today the stat office will release final April inflation and flash 1Q GDP. CPI dropped according to a flash release to 3.4% y/y, mostly on lower fuel prices. If there is no revision, this will imply stabilisation of core inflation at a high 3.6% y/y level, probably partly due to issues with price collection when parts of the economy are shut down (possibly previous year's m/m price changes were applied). We still think inflation should drop significantly later this year, especially after unfrozen trade and services start competing with prices for faltering consumer demand. We estimate 1Q GDP growth at 0.9% y/y, which would mean a q/q decline by more than 1% in seasonally adjusted terms. The market consensus is higher. The GDP breakdown will not be shown before 29 May, but we suspect that private consumption and services were the first to suffer from the epidemic. It also seems quite clear that the GDP drop in 2Q will be much deeper.

Current account, 12m sum, €mn



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4,5598	CZKPLN	0,1665
USDPLN	4,2226	HUFPLN*	1,2877
EURUSD	1,0799	RUBPLN	0,0575
CHFPLN	4,3424	NOKPLN	0,4153
GBPPLN	5,1468	DKKPLN	0,6091
USDCNY	7,0984	SEKPLN	0,4300

*for 100HUF

Last session in the FX market 14.05.2020

	min	max	open	close	fixing
EURPLN	4,560	4,573	4,565	4,564	4,569
USDPLN	4,220	4,242	4,223	4,227	4,227
EURUSD	1,077	1,082	1,081	1,080	-

Interest rate market 14.05.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0,50	-1	5.03.2020	OK0722	1,225
PS1024 (5Y)	0,89	-6	5.03.2020	PS1024	1,431
DS1029 (10Y)	1,27	-6	5.03.2020	DS1029	1,725

IRS on the interbank market**

IRS on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,39	-2	0,30	-1	-0,35	0
2L	0,43	-3	0,25	-1	-0,29	1
3L	0,46	-4	0,25	-1	-0,32	0
4L	0,51	-5	0,28	1	-0,32	0
5L	0,56	-5	0,33	-1	-0,31	-1
8L	0,71	-6	0,49	-1	-0,23	-1
10L	0,80	-7	0,58	-3	-0,16	-1

WIBOR rates

Term	%	Change (bps)
O/N	0,35	0
T/N	0,49	10
SW	0,51	0
2W	0,52	0
1M	0,64	0
3M	0,68	0
6M	0,69	0
1Y	0,74	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0,43	2
3x6	0,32	-1
6x9	0,29	1
9x12	0,29	-1
3x9	0,34	-2
6x12	0,32	-4

Measures of fiscal risk

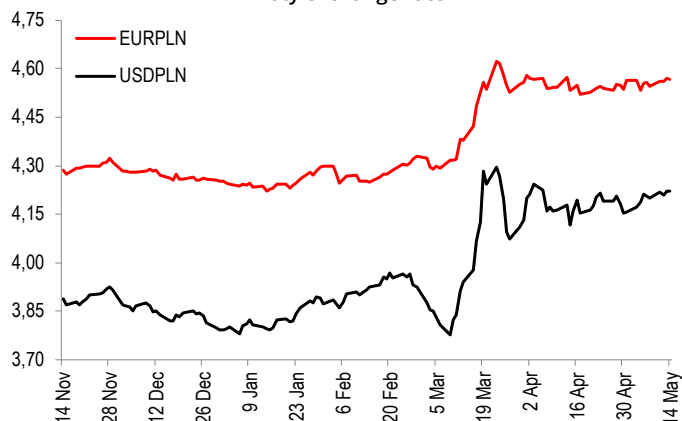
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	56	0	181	-5
France	29	1	50	2
Hungary	77	0	256	-3
Spain	117	-1	136	3
Italy	168	1	236	3
Portugal	80	0	141	3
Ireland	35	1	64	0
Germany	19	0	-	-

* 10Y treasury bonds over 10Y Bunds

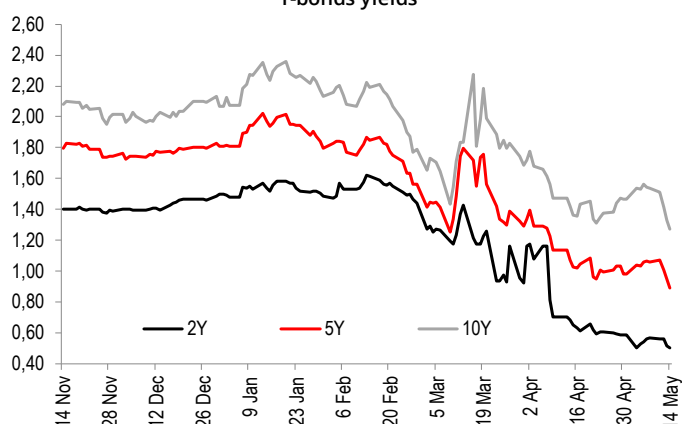
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

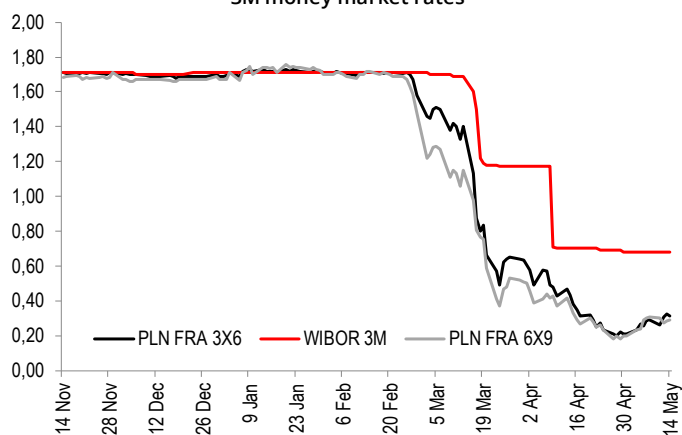
Zloty exchange rate



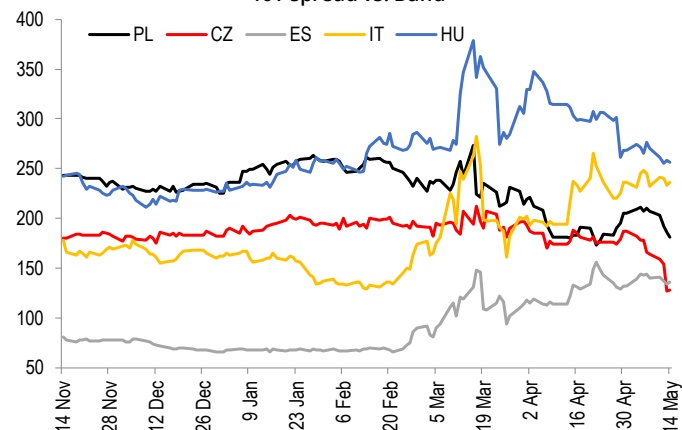
T-bonds yields



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	-	0.3	1.5
WEDNESDAY (13 May)								
	PL	NBP bond purchase auction						
09:00	CZ	CPI	Apr	% y/y	3.1	-	3.2	3.4
11:00	EZ	Industrial Production SA	Mar	% m/m	-12.0	-	-11.3	-0.1
THURSDAY (14 May)								
08:00	DE	HICP	Apr	% m/m	0.4	-	0.4	0.4
14:00	PL	Current Account Balance	Mar	€mn	821	432	2 438	878
14:00	PL	Trade Balance	Mar	€mn	700	642	-69	842
14:00	PL	Exports	Mar	€mn	18 665	18 915	18 763	19 789
14:00	PL	Imports	Mar	€mn	18 470	18 273	18 832	18 947
14:30	US	Initial Jobless Claims	week	k	3000	-	2981	3176
FRIDAY (15 May)								
09:00	CZ	Flash GDP	1Q	% y/y	-2.0	-		2.0
09:00	HU	Flash GDP	1Q	% y/y	2.1	-		4.5
10:00	DE	Flash GDP	1Q	% y/y	-2.0	-		0.4
10:00	PL	CPI	Apr	% y/y	3.4	3.4		3.4
10:00	PL	Flash GDP	1Q	% y/y	1.7	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	-12.0	-		-8.4
15:15	US	Industrial Production	Apr	% m/m	-12.0	-		-5.4
16:00	US	Flash Michigan index	May	pts	62.8	-		71.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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