

27 May 2020

Eyeopener

Significant strengthening of Zloty

Optimism on the market persists
 EURPLN breaks 4.50 to the downside, EURUSD back to 1.10
 Polish fixed income market relatively calm
 Today secondary data – Hungarian unemployment, US Richmond Fed

Tuesday was another day of global stock markets rising and dollar depreciating. Investors were still focusing on prospects of unfreezing economies thanks to consistent lifting of restrictions on economic life and were ignoring the worsening of relations between USA and China. Additional support for positive sentiment came from the US data. Index of consumer confidence fell in May only slightly more than expected while new home sales increased slightly in April. As a result, the equity indices in Europe rose by more than 1%, bonds in core markets were weakening and dollar index fell by 0.7%.

Registered unemployment rate increased in April to 5.8% from 5.4% in March. The increase in the total number of unemployed results mainly from weaker outflows from unemployment, while at the same time the number of newly registered unemployed was lower than a year ago. Moreover, the data suggest that many workers in the retirement age have decided to leave the labour market. The detailed data about corporate sector employment showed that declines were broad-based. We estimate that a maximum of 1/3 of the decline was due to redundancies and employment contracts that were not extended, while the other 2/3 of the decline resulted from working time reductions, sick leaves and so on. LFS data suggest that in the last two weeks of March, as much as every fifth of the employed workers have not actually worked. The main reasons being the closure of the workplaces (1/3) and childcare (1/4). Industrial orders in April fell 30% y/y, while the foreign ones by 35.1% y/y. The negative dynamics of the total industrial orders is similar to the one recorded during the global financial crisis in 2009, while the foreign orders dynamics is even worse. More in our yesterday [Economic Comment](#).

Fitch agency published new Polish GDP forecast for 2020-2021. For this year the agency expects a decline by 3.2% y/y (revised from -1.7% indicated in April) and next year it counts on a rebound by 4.5% y/y (revised from 4.3%).

Due to the epidemic there will be no press conference after **tomorrow's MPC meeting**. The decision and the statement will be published on the NBP website.

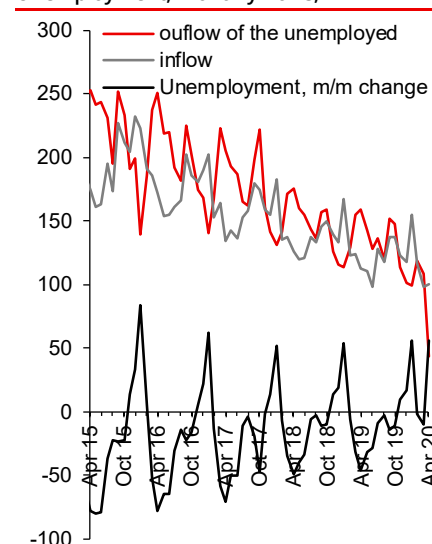
After three downward sessions in a row **EURUSD** recorded a major rebound to almost 1.10 from 1.09. The dollar lost due to weaker demand for safe assets and despite quite good US data. In a broader context there was no major change on the market with EURUSD still moving in 1.08-1.10 range valid since April. Today we will not get to see many important data, so trade is likely to stabilise ahead of important data releases scheduled for April.

Yesterday **EURPLN** recorded the most considerable decline since the last decade of March and finally broke to lower bound of 4.50-4.60 range valid since April. Thanks to a weaker dollar and further gains on the stock markets EURPLN reached 4.44, the lowest level since mid-March. USDPLN fell to 4.045 from 4.13 and was also the lowest since mid-March. We think that the yesterday decline of EURPLN was mostly supported by stop-loss orders on the market, which was too negative towards the zloty. So, in our view it is too early to expect a continuation of PLN strengthening in the days to come. Today in the morning EURPLN is opening at 4.43 and USDPLN at 4.04.

The **other CEE currencies**, also benefited from a rise of demand for the risky assets. EURCZK and EURHUF fell by c0.50% to 27.1 and 348.8, respectively and USDRUB by 1.3% to 70.65. The Hungarian central bank (MNB) kept interest rates unchanged with the main rate still at 0.90%. The statement from the meeting did not suggest that MNB intends to make any changes to its monetary policy strategy and will utilize its bond purchases program sparingly. The outcome of the meeting did not have any meaningful impact on the forint.

On the Polish **fixed income market** on Tuesday there were no important changes and the daily moves did not go above 1-2bp. Polish bonds took advantage of the further strengthening of euro zone periphery's debt (Italian 10Y yields dropped by 3bp, the Spanish and Portuguese ones by c.2bp), but were resilient to the significant weakening of Bunds and Treasuries (by 5bp on 10Y benchmarks).

Unemployment, monthly flows, k



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
 Piotr Bielski +48 22 534 18 87
 Marcin Łuziński +48 22 534 18 85
 Wojciech Mazurkiewicz +48 22 534 18 86
 Grzegorz Ogonek +48 22 534 19 23
 Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4.4308	CZKPLN	0.1635
USDPLN	4.0453	HUFPLN*	1.2704
EURUSD	1.0951	RUBPLN	0.0569
CHFPLN	4.1815	NOKPLN	0.4073
GBPPLN	4.9767	DKKPLN	0.5940
USDCNY	7.1610	SEKPLN	0.4191

*for 100HUF

Last session in the FX market

5/26/2020

	min	max	open	close	fixing
EURPLN	4.425	4.495	4.495	4.435	4.480
USDPLN	4.027	4.118	4.116	4.043	4.089
EURUSD	1.091	1.099	1.092	1.097	-

Interest rate market

5/26/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.55	0	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.96	-1	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.42	0	5.03.2020	DS1029	1.725

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.44	0.32	-0.35
2L	0.51	0.26	-0.27
3L	0.57	0.27	-0.28
4L	0.66	0.32	-0.27
5L	0.72	0.38	-0.25
8L	0.86	0.58	-0.17
10L	0.96	0.68	-0.10

WIBOR rates

Term	%	Change (bps)
O/N	0.33	-4
T/N	0.38	-2
SW	0.50	0
2W	0.52	0
1M	0.64	0
3M	0.68	0
6M	0.69	0
1Y	0.74	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.49	-1
3x6	0.39	2
6x9	0.34	1
9x12	0.34	-1
3x9	0.42	-3
6x12	0.40	-1

Measures of fiscal risk

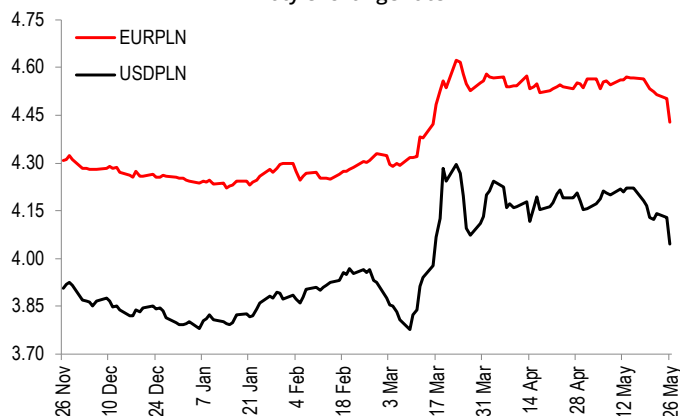
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	57	185
France	25	44
Hungary	78	258
Spain	93	112
Italy	147	198
Portugal	63	112
Ireland	31	60
Germany	17	-

* 10Y treasury bonds over 10Y Bunds

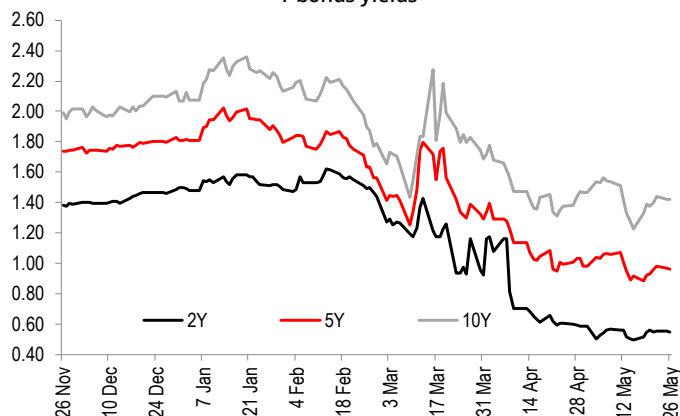
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

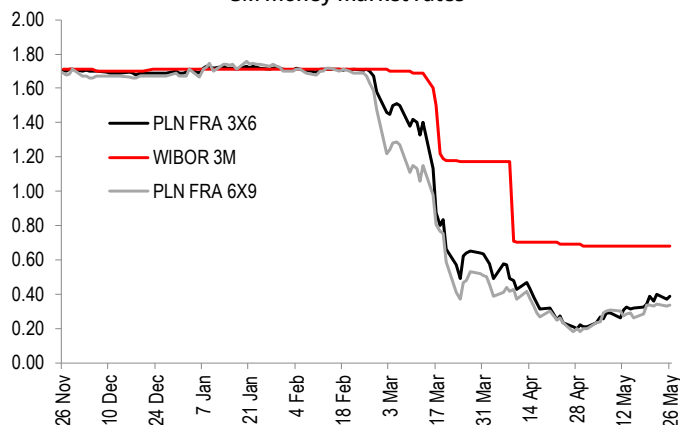
Zloty exchange rate



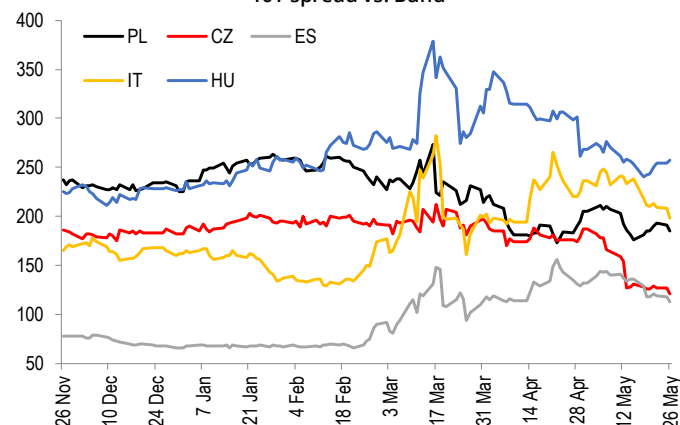
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET SANTANDER		REALIZED	LAST VALUE*
FRIDAY (22 May)								
10:00	PL	Construction and assembly output	Apr	% y/y	-2.0	-6.1	-0.9	3.7
10:00	PL	Real retail sales	Apr	% y/y	-20.1	-20.5	-22.9	-8.9
MONDAY (25 May)								
08:00	DE	GDP	1Q	% y/y	-2.3	-	-2.3	-2.3
10:00	DE	IFO Business Climate	May	pts	78.3	-	79.5	74.2
14:00	PL	Money Supply M3	Apr	% y/y	12.3	12.4	14.0	11.8
TUESDAY (26 May)								
10:00	PL	Unemployment Rate	Apr	%	5.7	5.8	5.8	5.4
14:00	HU	Central Bank Rate Decision		%	0.9	-	0.90	0.90
16:00	US	Consumer Conference Board	May	pts	87.0	-	86.6	86.9
16:00	US	New Home Sales	Apr	% m/m	-21.8	-	0.6	-13.7
WEDNESDAY (27 May)								
16:00	US	Richmond Fed manufacturing index	May	pts	-47.0	-		-53.0
THURSDAY (28 May)								
	PL	MPC decision		%	0.50	0.50		0.50
11:00	EZ	ESI	May	pct.	72.5	-		67.0
14:00	DE	HICP	May	% m/m	0.2	-		0.4
14:30	US	Durable Goods Orders	Apr	% m/m	-18.0	-		-15.3
14:30	US	GDP Annualized	1Q	% q/q	-4.8	-		-4.8
14:30	US	Initial Jobless Claims	week	k	2400	-		2438
16:00	US	Pending Home Sales	Apr	% m/m	-15.0	-		-20.8
FRIDAY (29 May)								
08:00	DE	Retail Sales	Apr	% m/m	-10.0	-		-4.0
09:00	HU	GDP	1Q	% y/y	-	-		2.2
10:00	PL	Flash CPI	May	% y/y	-	2.8		3.4
10:00	PL	GDP	1Q	% y/y	-	1.9		1.9
10:00	PL	Private consumption	1Q	% y/y	-	2.2		3.3
10:00	PL	Investments	1Q	% y/y	-	5.8		6.1
11:00	EZ	Flash HICP	May	% y/y	0.35	-		0.4
14:30	US	Personal Spending	Apr	% m/m	-12.5	-		-7.5
14:30	US	Personal Income	Apr	% m/m	-7.0	-		-2.0
14:30	US	PCE Deflator SA	Apr	% m/m	-0.7	-		-0.3
16:00	US	Michigan index	May	pts	73.7	-		73.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.