

28 May 2020

Eyeopener

Today MPC decision

Stock exchanges higher still
Zloty loses momentum, however still stronger, EURUSD tests 1.10
Polish bonds gaining despite Bund losses
Today MPC decision and important data from the US

Wednesday was another day when global markets were calm. Stock indexes in Europe rose by more than 1% thanks to the persisting hopes for a quick rebound due to removal of restrictions by another countries. What is more, the positive news was that the European Commission plans to launch another EU economic support program. In the USA, secretary of state Mike Pompeo informed the Congress that Trump administration does not consider Hong Kong to be an autonomous territory from China any more. The declaration allows for a removal of special trade and financial conditions the USA granted to HK in 1997.

On Wednesday the **European Commission proposed a recovery fund of EUR750bn** to support the EU economy at the stage of exiting the pandemic.

Out of the mentioned sum, EUR500bn is to be raised on the debt markets, possibly with a new common bond. The amount would go to grants to countries that suffered the most from the pandemic (Italy would get EUR82bn, Spain EUR77bn, Poland almost EUR38bn), mostly to be cancelled later. The remaining EUR250bn would be distributed as loans to gain the support for the program of the Frugal Four (Austria, Sweden, Denmark, the Netherlands) that was so far against distribution of only grants (Poland could get c.EUR25bn of these loans). Investment plans based on these instruments have to comply with the EC country-specific recommendations and a full compliance with the rule of law of the receiving country is required.

Albeit this is still a proposal, far from being written into law and needing a unanimous approval by 27 countries (an it is already known that the Netherlands are against), the markets responded very positively believing the project could enter into force with only minor changes.

Yesterday prime minister Mateusz Morawiecki announced that the fourth phase of COVID-19 restrictions loosening will take place on the turn of May and June. Body count in shops and restaurants will be abolished, leisure centres like fitness clubs, cinemas and theatres will be opened but under sanitary regime.

EURUSD tested yesterday 1.10 and reached a daily maximum at 1.103 (the highest level since early April) thanks to information on the new help programme for the EU countries. However, the euro failed to hold gains until the end of the session and rate went down to 1.097 at the end of the day. Another failed attempt to break 1.10 – despite stock market gains and hopes about the new EU programme – suggests that a permanent break is unlikely in the short-term.

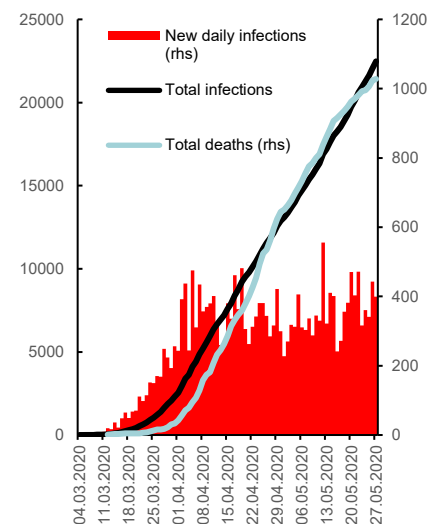
EURPLN fell to 4.40 at the very beginning of the session but at the end of the day was back close to the opening level (4.43). USDPLN fell to nearly 4.01 and closed at 4.03. CHFPLN dropped to 4.15 and GBPLN to 4.93, both at their lowest levels since mid-March.

The **other CEE currencies** gave up at least half of their Tuesday's gains – the ruble gave up the biggest part, the forint the smallest. We think the zloty gained too much and too fast and now a stabilization or a correction after the recent EURPLN may take place. Today in the morning the exchange rate is near 4.42.

On the Polish **fixed income market** IRS and bond yields fell by even 7bp in case of the 10Y benchmark. The liquidity was low again. Polish debt remained resilient to weakening of Bund and gained just like the euro zone peripheral bonds. Yesterday's session on the European market was clearly driven by the announcement of the new EU stimulus program. At the bond repurchase auction, the central bank bought debt for PLN14.3bn, mostly bonds issued by the state owned BGK bank and Polish Development Fund (PFR) to finance anti-crisis programs.

Today the MPC will announce its decision about the interest rates. In our view, the meeting will conclude without any changes to the monetary policy parameters. There will be again no press conference after the meeting and only the statement will be released.

New daily infections, total infections, total deaths in Poland.



Source: Health Ministry, Santander

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FX market

Today's opening

EURPLN	4.4154	CZKPLN	0.1620
USDPLN	4.0071	HUFPLN*	1.2592
EURUSD	1.1023	RUBPLN	0.0566
CHFPLN	4.1373	NOKPLN	0.4061
GBPPLN	4.9148	DKKPLN	0.5928
USDCNY	7.1550	SEKPLN	0.4179

*for 100HUF

Last session in the FX market 5/27/2020

	min	max	open	close	fixing
EURPLN	4.404	4.444	4.436	4.429	4.438
USDPLN	4.015	4.058	4.050	4.039	4.050
EURUSD	1.093	1.103	1.096	1.097	-

Interest rate market 5/27/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.52	-3	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.95	-2	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.37	-5	5.03.2020	DS1029	1.725

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.43	0	0.31	-1	-0.36	-1
2L	0.50	-1	0.27	0	-0.28	-1
3L	0.56	-1	0.29	1	-0.29	-1
4L	0.63	-3	0.33	1	-0.28	-1
5L	0.70	-3	0.38	0	-0.26	-1
8L	0.86	-1	0.57	0	-0.18	-1
10L	0.93	-3	0.67	-1	-0.11	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.33	0
T/N	0.36	-2
SW	0.49	-1
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	0.51	2
3x6	0.40	1
6x9	0.33	0
9x12	0.32	-1
3x9	0.43	1
6x12	0.41	2

Measures of fiscal risk

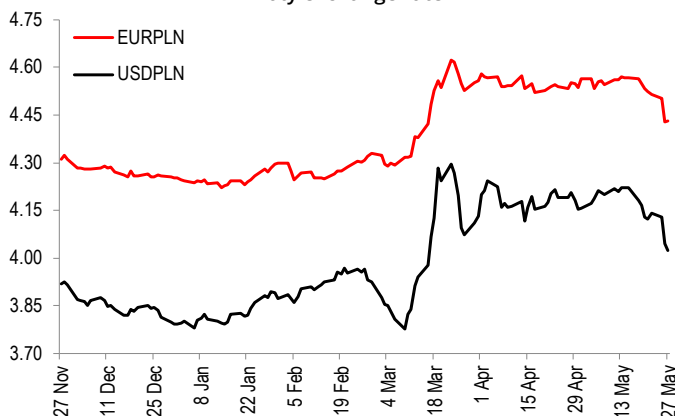
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	0	179	-6
France	24	-1	41	-3
Hungary	79	0	267	9
Spain	88	-5	106	-6
Italy	145	-2	191	-7
Portugal	58	-5	106	-7
Ireland	31	-1	58	-2
Germany	17	0	-	-

* 10Y treasury bonds over 10Y Bunds

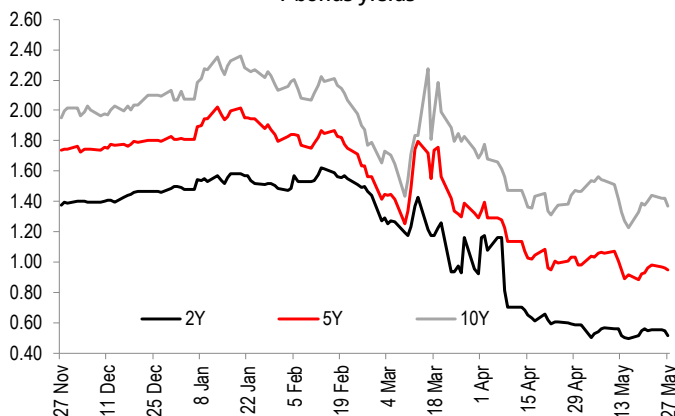
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

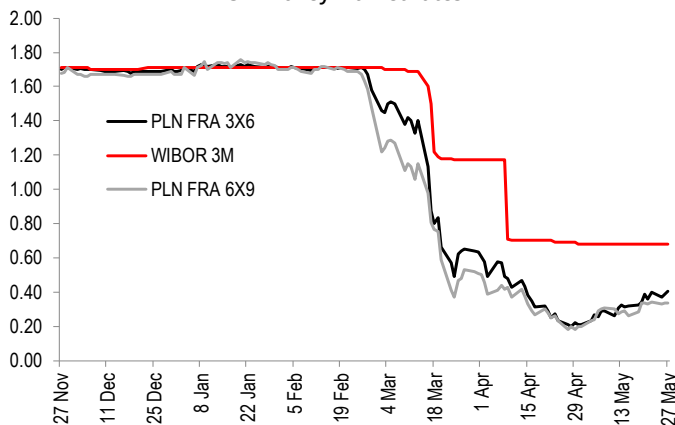
Zloty exchange rate



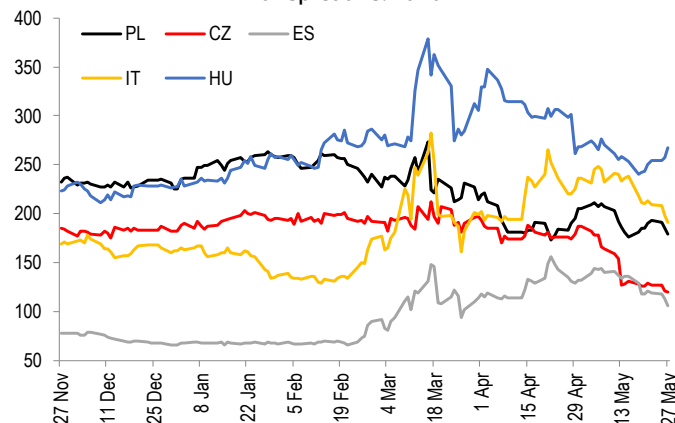
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		REALIZED	LAST VALUE*	
				MARKET	SANTANDER			
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	-	-27.0	-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

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