

2 June 2020

# Eyeopener

## No rush with rate hikes

Optimism returns into market  
Polish PMI up but with poor structure  
Zloty and its EM peers gain, EURUSD stable  
Polish yields up together with core  
Today Czech 1Q GDP

On Monday the sentiment on the markets was positive, equities prices were rising after US president Donald Trump at the Friday press conference on China had not announced any tough measures against the country as the markets had feared. EM currencies gained. Brent oil price went up, gold ended the day unchanged. The streak of May PMIs indicated in all cases but South Korea an improvement vs previous month, but the levels reached were still much below 50pt.

**In May Polish manufacturing PMI** rose to 40.6 pts from the record low 31.9 recorded in April. In all sub-categories the report signals the second or the third worst reading ever. Output, orders are still considered very weak. Even with many factories closed due to lockdown, the backlogs of work continued to fall quickly, showing how poor is the inflow of new business. As in the previous readings, the headline reading was pushed higher by longer suppliers' delivery times, which is a methodological flaw of the index. In line with alternative business sentiment measures, in May the production expectations of firms improved vs April. The May PMI suggests the economy is trying to set the low of this crisis but there are no hints in the report that would suggest a quick recovery.

Having read the **April MPC meeting minutes** we feel that the motivation to go on with monetary policy easing (at this meeting another 50bp cut was delivered and the QE program was extended to also cover State-guaranteed debt) came from heavy downside revisions of GDP forecasts observed globally and actions taken by other central banks that were carried out "quickly and on a large scale". The document shows that in April the Council was still focused on supporting growth, while the May statement was oriented more towards preventing a descent of inflation below the target. According to April minutes the scope of the delivered rate cuts was, among others, to positively influence economic sentiment after the end of the pandemic – which suggests that the MPC will not be in a hurry to restore the pre-crisis rate levels once the pandemic is over. **Grażyna Ancyparowicz** said yesterday that for the time being she does not expect any further rate cuts, but they cannot be excluded altogether if a negative scenario develops and the central bank will not have any other tools to support the economy.

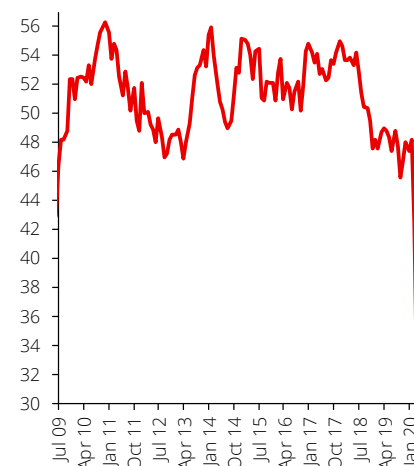
**EURUSD** after opening at 1.11 on Monday, traded in a stable fashion most of the day, trying to break 1.115 in the meantime but without success. The second approach to break higher ended up only getting to 1.114, which together with the fact that the RSI indices point to the market being overbought, might suggest that the short term momentum waned before Thursdays ECB meeting, and EURUSD might slightly correct lower.

**Zloty**, in line with the behaviour of majority of EM currencies, strengthened on Monday. EURPLN after opening at 4.44, closed at 4.41 and by doing this took back all the EURPLN rise that took place after last week's unexpected NBP rate cut. From the viewpoint of technical analysis, currently it is the 4.40 important level which is being tested. Given the weakening dollar and the continuation of gains on stock exchanges, temporary decline to 4.36 (200-day simple moving average) cannot be excluded.

**Other regional currencies** also gained. EURHUF fell to 345.2 from 347.0, EURCZK declined only slightly to 26.8 from 26.9, which might suggest the pair is oversold a bit. Rise of the oil prices has added fuel to rouble gains and USDRUB declined by 1.4% to 69.5 from 70.5.

**On the Polish fixed income market** the FRA contracts have not changed much. However, both IRS and bond yields increased (roughly 5-6bp) following closely yield changes on the core markets where 10Y UST yield increased by 4bp to 0.68% while the Bund 5bp to -0.40%. The 10Y PL-DE spread widened by only a little to 165bp.

Polish PMI manufacturing



Source: HIS Markit, Santander

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## FX market

### Today's opening

EURPLN	4.4011	CZKPLN	0.1641
USDPLN	3.9568	HUFPLN*	1.2743
EURUSD	1.1126	RUBPLN	0.0574
CHFPLN	4.1152	NOKPLN	0.4107
GBPPLN	4.9498	DKKPLN	0.5904
USDCNY	7.1210	SEKPLN	0.4219

\*for 100HUF

### Last session in the FX market

6/1/2020

	min	max	open	close	fixing
EURPLN	4.400	4.436	4.435	4.402	4.420
USDPLN	3.952	3.987	3.983	3.958	3.968
EURUSD	1.110	1.115	1.113	1.112	-

## Interest rate market

6/1/2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.24	6	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.73	3	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.24	6	5.03.2020	DS1029	1.725

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

RIS on the inter-bank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.26	3	0.29	0	-0.39	-1
2L	0.32	5	0.26	0	-0.29	0
3L	0.39	5	0.25	-1	-0.30	1
4L	0.47	5	0.29	-1	-0.29	1
5L	0.55	6	0.35	0	-0.27	1
8L	0.72	5	0.54	1	-0.17	2
10L	0.82	5	0.64	0	-0.10	2

## WIBOR rates

Term	%	Change (bps)
O/N	0.21	-3
T/N	0.21	-4
SW	0.20	0
2W	0.20	0
1M	0.24	0
3M	0.28	0
6M	0.29	0
1Y	0.32	-1

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	0.27	1
3x6	0.24	4
6x9	0.24	3
9x12	0.25	3
3x9	0.26	3
6x12	0.26	3

## Measures of fiscal risk

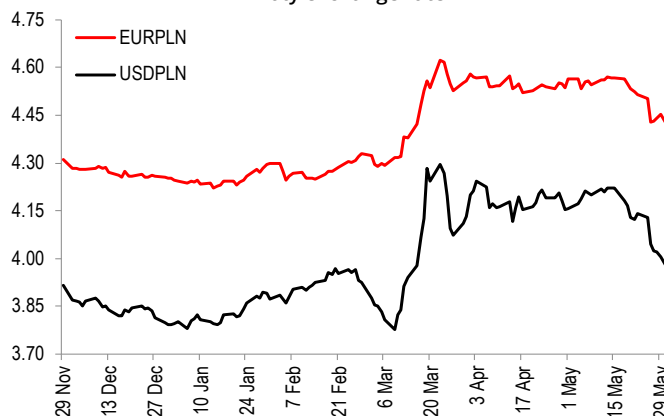
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	0	164	0
France	21	-1	37	0
Hungary	79	0	0	-243
Spain	84	1	98	-4
Italy	142	-7	186	-8
Portugal	53	0	91	-6
Ireland	28	0	53	-1
Germany	15	-1	-	-

\* 10Y treasury bonds over 10Y Bunds

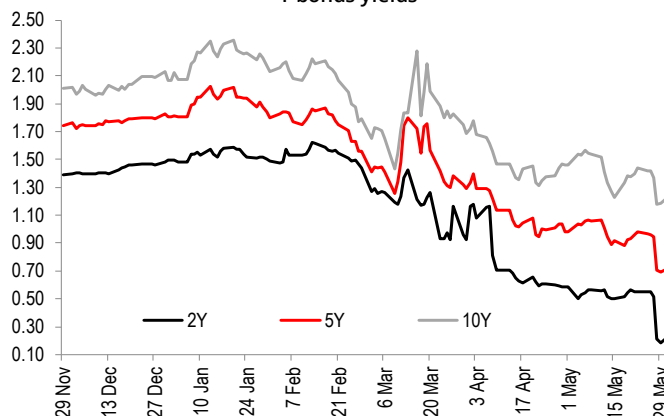
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

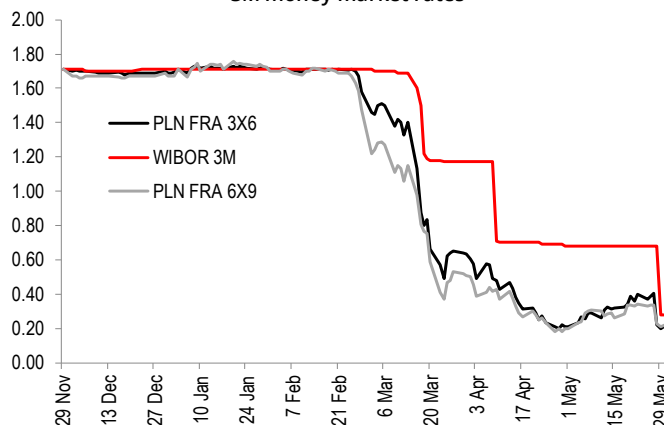
## Zloty exchange rate



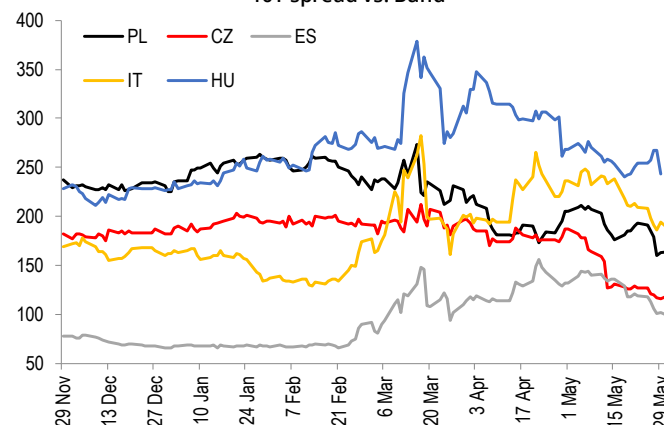
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (29 May)							
08:00	DE	Retail Sales	Apr	% m/m	-12.0	-5.3	-5.6
09:00	HU	GDP	1Q	% y/y	2.2	2.2	2.2
10:00	PL	CPI	May	% y/y	3.0	2.95	3.4
10:00	PL	GDP	1Q	% y/y	-	2.0	1.9
11:00	EZ	Flash HICP	May	% y/y	0.1	0.1	0.4
14:30	US	Personal Spending	Apr	% m/m	-12.8	-13.2	-7.5
14:30	US	Personal Income	Apr	% m/m	-6.0	10.5	-2.0
14:30	US	PCE Deflator SA	Apr	% m/m	-0.6	-0.5	-0.2
16:00	US	Michigan index	May	pts	74.0	72.3	73.7
MONDAY (1 June)							
09:00	PL	Poland Manufacturing PMI	May	pts	34.0	35.0	40.6
09:55	DE	Germany Manufacturing PMI	May	pts	36.8	-	36.6
10:00	EZ	Eurozone Manufacturing PMI	May	pts	39.5	-	39.4
16:00	US	ISM manufacturing	May	pts	43.5	-	43.1
TUESDAY (2 June)							
09:00	CZ	GDP SA	1Q	% y/y	-2.2	-	-2.2
WEDNESDAY (3 June)							
03:45	CN	Caixin China PMI Services	May	pts	47.25	-	44.4
11:00	EZ	Unemployment Rate	Apr	%	8.2	-	7.4
14:15	US	ADP report	May	k	-9 500	-	-20 236
16:00	US	Durable Goods Orders	Apr	% m/m	-19.0	-	-17.2
16:00	US	ISM services	May	pts	44.0	-	41.8
16:00	US	Factory Orders	Apr	% m/m	-15.0	-	-10.4
THURSDAY (4 June)							
09:55	DE	Markit Germany Services PMI	May	pts	31.4	-	31.4
10:00	EZ	Eurozone Services PMI	May	pts	28.7	-	28.7
11:00	EZ	Retail Sales	Apr	% m/m	-18.0	-	-11.2
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0
14:30	US	Initial Jobless Claims	week	k	2 100	-	2 123
FRIDAY (5 June)							
08:00	DE	Factory Orders	Apr	% m/m	-20.0	-	-15.6
09:00	HU	Industrial Production SA	Apr	% y/y	-24.3	-	-9.99
14:30	US	Change in Nonfarm Payrolls	May	k	-8 000	-	-20 537
14:30	US	Unemployment Rate	May	%	19.5	-	14.7

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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