

8 June 2020

Eyeopener

US data fuel market optimism

US data supported risky assets at the end of the week
Record of new COVID-19 infections in Poland during the weekend
PLN and CEE currencies with no major changes, EURUSD slightly down
Bond yields in Poland and on core markets strongly up
Today Czech industrial output

On Friday we have observed a continuation of an upside trend of equity indexes and core bond yields seen earlier in the week. Next to the Thursday's events like larger-than-expected expansion of the ECB PPEP program and announcement of the German economic support program, risky assets were boosted by the Friday's US labour market. Unexpectedly, in May the monthly change of the non-farm payrolls was positive again after only two months of negative readings (including the biggest ever drop in April) and the unemployment rate fell. The performance of the EM currencies was mixed, even in the CEE region where the ruble and koruna gained while the zloty and forint did not change on a daily basis.

On Saturday June 5, in Poland the new all-time high of **new COVID-19 cases** was recorded: 576. On Sunday, only one less: 575.

MPC member Jerzy Żyżyński said in an interview for PAP, that the MPC have finished the rate cut cycle, there is no room for further cuts and he does not even consider introducing further non-standard monetary policy measures. Mr Żyżyński is of the opinion that it is too early to start discussion about normalizing monetary policy. We expect no change to interest rates this year.

According to the Ministry of Family, Labour and Social Policy, in May the number of the **unemployed** rose by 46k and the unemployment rate to 6.0% from 5.8% recorded in April, slightly below our forecast (6.1%). The number of job offers rose by about 1/4, showing how the economy is gradually brought back to life. We expect a further rise of unemployment rate in the next months, but in our view the measure does not fully reveal the job destruction as many people dropped out of the statistics, e.g. by moving to retirement or leaving the country (foreign workers).

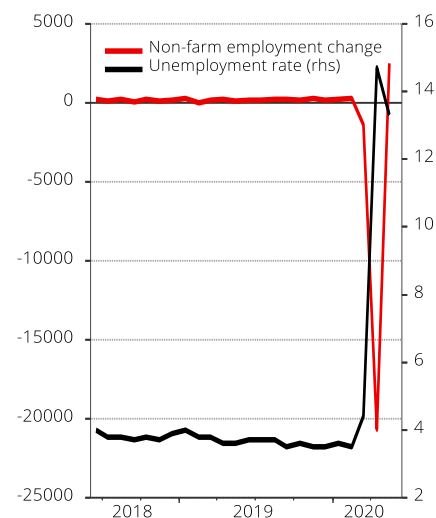
EURUSD did not record the ninth daily rise in a row. On Friday it returned below 1.13 from 1.138 reached in the first hours of trading. The dollar was supported by the monthly US labour market data.

EURPLN rose to almost 4.46 at the start of the session but in the following hours the zloty was recovering from losses and closed the day around the starting level, around 4.43. USDPLN rebounded temporarily to 3.94 from 3.90. As for the **other CEE** currencies, EURHUF was trading tightly around 344 and EURCZK and USDRUB fell, but failed to set new weekly lows.

On the domestic interest rate market the end of the week saw a further rise of IRS and bond yields. Just like in the previous days, the impulse came from the core market where the 10Y Bund and UST yields rose by 8bp and even 15bp, respectively. Polish bond curve shifted 1-8bp up and IRS by 3-11bp, the biggest changes on the long end. As a result, the 10Y IRS and bond yield are back to the level seen before the unexpected NBP rate cut delivered in late May. At the switch auction, the Ministry of Finance sold bonds for PLN5.06bn, mainly OK0722 (PLN1.73bn) and PS0425 (PLN1.77bn).

This week there are not many events on the schedule that could affect investors' views. Fed will meet this Wednesday and some inflation figures will be out (USA, Czechia, Hungary). We do not expect any changes in FOMC policy (rates and other parameters), leaving the market focus on the tone of the statement plus the updated set of forecasts as the factors that could influence the market mood. If there is plenty of pessimism about US economic outlook in these two, the event might become a catalyst for a correction after the recent strong performance of stock exchanges. EURPLN rebounded from 4.40 in line with our forecast a week ago. In the second half of the week the zloty surprised with the pace of weakening given the still positive global mood and the stability of other CEE currencies. Such relatively poor zloty behaviour, high dynamics of the move, more expensive FX options as well as the fact that 4.45 level got reached that fast make us believe that within the next two weeks EURPLN will not move back towards 4.40 but rather will keep rising towards 4.50 and perhaps even break higher. Polish yields followed core markets higher amid optimism about EU economic recovery (supportive news on more rescue packages, ECB QE extension). After the recent move we might observe a pause in the coming days. On the short end of the curve the significant abundance of liquidity in the banking system might keep bond yields lower.

US labour market data



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4,4321	CZKPLN	0,1662
USDPLN	3,9280	HUFPLN*	1,2879
EURUSD	1,1288	RUBPLN	0,0575
CHFPLN	4,0766	NOKPLN	0,4208
GBPPLN	4,9808	DKKPLN	0,5940
USDCNY	7,0830	SEKPLN	0,4264

*for 100HUF

Last session in the FX market

05.06.2020

	min	max	open	close	fixing
EURPLN	4,422	4,458	4,430	4,427	4,444
USDPLN	3,889	3,939	3,903	3,921	3,922
EURUSD	1,128	1,138	1,135	1,129	-

Interest rate market

05.06.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0,26	2	5.03.2020	OK0722	1,225
PS1024 (5Y)	0,79	0	5.03.2020	PS1024	1,431
DS1029 (10Y)	1,47	8	5.03.2020	DS1029	1,725

IRS on the interbank market**

RIS on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,26	3	0,30	1	-0,40	0
2L	0,37	4	0,29	2	-0,30	-1
3L	0,46	5	0,34	4	-0,29	0
4L	0,57	6	0,41	5	-0,27	0
5L	0,69	9	0,50	6	-0,23	1
8L	0,90	9	0,74	7	-0,10	2
10L	1,03	12	0,86	5	-0,01	1

WIBOR rates

Term	%	Change (bps)
O/N	0,17	0
T/N	0,18	0
SW	0,19	0
2W	0,20	0
1M	0,24	0
3M	0,27	0
6M	0,29	0
1Y	0,30	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0,26	1
3x6	0,25	5
6x9	0,25	3
9x12	0,28	5
3x9	0,27	-2
6x12	0,33	7

Measures of fiscal risk

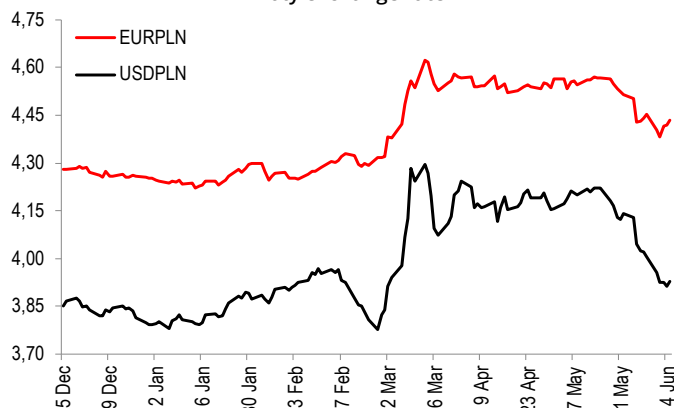
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	174	2
France	18	0	29	-2
Hungary	79	0	252	3
Spain	70	-3	84	-5
Italy	117	-9	169	-5
Portugal	48	-3	82	-4
Ireland	27	0	43	-4
Germany	14	0	-	-

* 10Y treasury bonds over 10Y Bunds

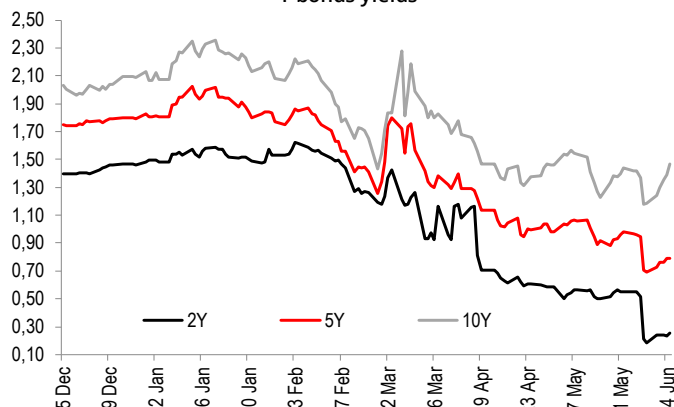
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

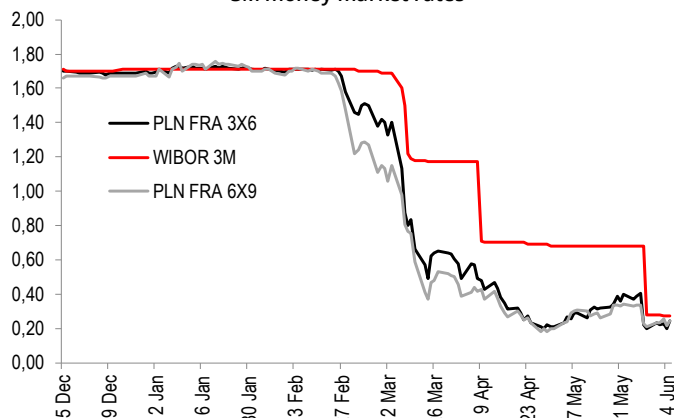
Zloty exchange rate



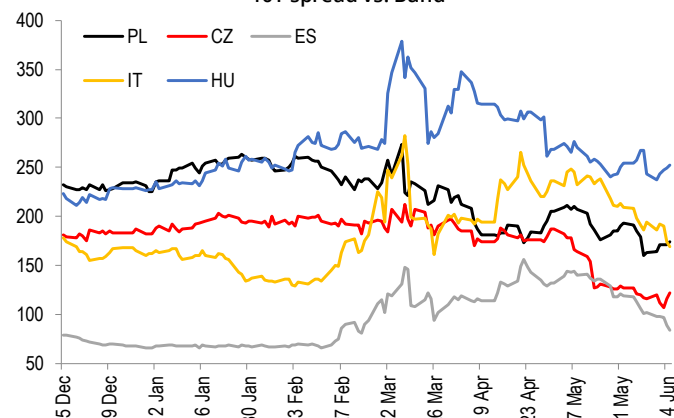
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (5 June)								
08:00	DE	Factory Orders	Apr	% m/m	-20.0	-	-25.8	-15.0
09:00	HU	Industrial Production SA	Apr	% y/y	-24.3	-	-36.8	-5.6
14:30	US	Change in Nonfarm Payrolls	May	k	-8 000	-	2 509	-20 687
14:30	US	Unemployment Rate	May	%	19.5	-	13.3	14.7
MONDAY (8 June)								
08:00	DE	Industrial Production SA	Apr	% m/m	-16.0	-	-17.9	-9.2
09:00	CZ	Industrial Production	Apr	% y/y	-25.0	-		-10.8
TUESDAY (9 June)								
08:00	DE	Exports SA	Apr	% m/m	-18.0	-		-11.7
09:00	HU	CPI	May	% y/y	2.1	-		2.4
11:00	EZ	GDP SA	1Q	% y/y	-3.2	-		-3.2
WEDNESDAY (10 June)								
09:00	CZ	CPI	May	% y/y	2.6	-		3.2
14:30	US	CPI	May	% m/m	0.0	-		-0.8
20:00	US	FOMC decision		%	0.25	-		0.25
THURSDAY (11 June)								
14:30	US	Initial Jobless Claims	week	k	1 833	-		1 877
FRIDAY (12 June)								
11:00	EZ	Industrial Production SA	Apr	% m/m	-20.0	-		-11.3
16:00	US	Michigan index	Jun	pts	76.0	-		72.3

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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