

9 June 2020

# Eyeopener

## World Bank lowering global growth forecasts

Calm start of the week, World Bank lowered its forecasts  
MPC's Zubelewicz not expecting an imminent rate hike, Gatnar against negative nominal rates  
EURPLN temporarily up  
Polish yields up, yields abroad down  
Today euro zone GDP data

At the beginning of the new week, the market mood was stable which allowed the risky assets to keep their pre-weekend gains when the ECB decision to expand bond purchase programme, German stimulus programme and much-better-than expected US non-farm payrolls were in the spotlight. As a result, the equity indexes and main exchange rates remained near their Friday's closing levels. OPEC+ agreed to prolong limited oil output for a yet another month but Saudi Arabia said it may be unwilling to keep lower output after June. This statement might have been behind the fact that the yesterday's oil price rise was only temporary. Today in the morning, worse-than-expected German exports data was released.

**The World Bank** released its new economic forecasts. Bank's analysts expect the biggest recession since the World War II with countries in Latin America, Caribbean, Europe and Middle Asia suffering the most. According to the report, income per capita will fall pushing millions of people into poverty again. Forecasts for 2020 GDP for Poland (-4.2%) are close to our estimates but the World Bank is quite pessimistic as regards 2021 (+2.8%).

After it has been observed in recent days that the number of daily COVID-19 cases has significantly increased, the **deputy PM and Minister of Development Jadwiga Emilewicz** said that the government is not discussing the reintroduction of a lockdown at all. Despite the declaration, on the same day it has been decided that 12 of the coal mines will be closed for 3 weeks. We estimate that the decision will not have a significant impact on the industrial production (below 0.5% of the total output).

**MPC member Kamil Zubelewicz** said yesterday that low interest rates in Poland discourage savings. In his opinion the situation will not be changed for some time and "the level of interest rates in Poland will not be hiked anytime soon", he reminded the historical situation when the MPC has not reacted (e.g. hiked) when the inflation rate was running at 4.5% y/y. Today another MPC member **Eugeniusz Gatnar** said that the interest rate cuts have been excessive and that the cut of 50bp would do. The MPC member described himself as a "determined opponent" of negative interest rates. We expect that interest rates will not be hiked neither in 2020 nor 2021.

**EURUSD** moved yesterday around 1.13 after the Friday drop on US NFP data. No negative factors and last week's European events (ECB decision and German fiscal support package) supported stabilisation of the exchange rate. We think EURUSD can now remain close to the current level until the Wednesday FOMC decision.

**EURPLN** oscillated around 4.43 for the second day (this morning it is below the level). The zloty performed worse than some of the CEE fx and could not take advantage of dynamic rise of stock exchanges. On the other hand, in the course of the last three sessions the fx rate tried to show a significant rebound (to 4.45-4.46), but so far failed and there is no lasting shift to the new June top (above 4.46). Yesterday USDPLN did not markedly move away from 3.92. Today, as yesterday, there will not be many data releases so trading should be calm, ahead of the Wednesday FOMC decision.

In case of the **other CEE currencies**, the forint and ruble lost slightly while the koruna did not move much. The intraday scale of changes was not bigger than at the end of the last week.

**On the domestic interest rate market** the beginning of the week saw further IRS and bond yields rise but only in case of the 5Y benchmark the scale of move was bigger than on Friday. Both curves continue to steepen and yesterday the 2-10 spreads rose to their highest since May 2019. Yesterday, the 10Y Bund and UST gained quite noticeably – the former recovered all and the latter half of the Friday's losses triggered by the strong US labour data. The 10Y PL-DE bond yield spread rose by 7bp to 180bp.

### World Bank global economic forecasts

	2020	2021
<b>World</b>	<b>-5.2(-7.7)</b>	<b>4.2(1.6)</b>
<b>Advanced economies</b>	<b>-7.0(-8.4)</b>	<b>3.9(2.4)</b>
USA	-6.5(-7.6)	5.9(4.8)
Euro zone	-8.2(-9.3)	7.4(6.2)
<b>Emerging and developing economies</b>	<b>-2.5(-6.6)</b>	<b>4.6(0.3)</b>
China	1.0(-4.9)	6.9(1.1)
Russia	-6.0(-7.6)	2.7(0.9)
Poland	-4.2(-7.8)	2.8(-0.5)
Brazil	-8.0(-10.0)	2.2(-0.3)
Mexico	-7.5(-8.7)	3.0(1.2)
India	-3.2(-9.0)	3.1(-3.0)

Note: in parentheses are differences versus January 2020  
Source: World Bank, Santander

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## FX market

### Today's opening

EURPLN	4.4263	CZKPLN	0.1664
USDPLN	3.9226	HUFPLN*	1.2879
EURUSD	1.1286	RUBPLN	0.0574
CHFPLN	4.0962	NOKPLN	0.4224
GBPPLN	4.9851	DKKPLN	0.5942
USDCNY	7.0747	SEKPLN	0.4255

\*for 100HUF

### Last session in the FX market 08.06.2020

	min	max	open	close	fixing
EURPLN	4.425	4.452	4.436	4.430	4.429
USDPLN	3.913	3.945	3.928	3.924	3.920
EURUSD	1.127	1.132	1.129	1.129	-

### Interest rate market 08.06.2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.25	0	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.87	8	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.49	2	5.03.2020	DS1029	1.725

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

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	-1	0.32	2	-0.40	-1
2L	0.36	-1	0.30	1	-0.31	-1
3L	0.47	1	0.34	0	-0.31	-2
4L	0.58	1	0.40	-2	-0.29	-2
5L	0.69	0	0.48	-2	-0.26	-3
8L	0.93	3	0.72	-2	-0.13	-3
10L	1.04	1	0.84	-2	-0.04	-2

#### WIBOR rates

Term	%	Change (bps)
O/N	0.15	-2
T/N	0.15	-3
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	0.24	-2
3x6	0.24	-1
6x9	0.24	-1
9x12	0.26	-2
3x9	0.28	1
6x12	0.34	1

#### Measures of fiscal risk

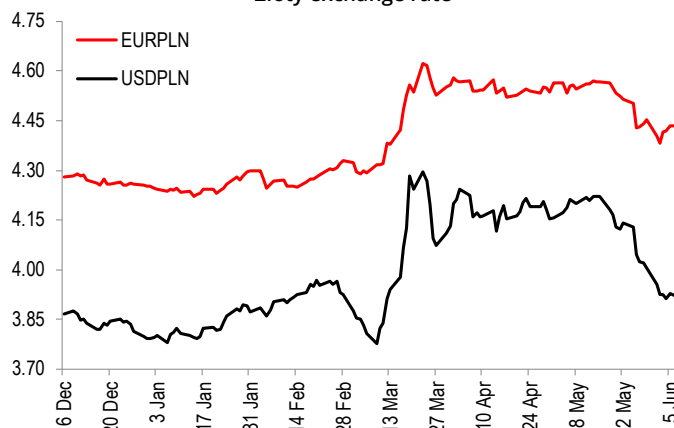
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	180	7
France	16	-2	36	7
Hungary	79	0	271	19
Spain	68	-3	88	4
Italy	117	-1	172	3
Portugal	46	-2	85	3
Ireland	26	0	45	2
Germany	13	-1	-	-

\* 10Y treasury bonds over 10Y Bunds

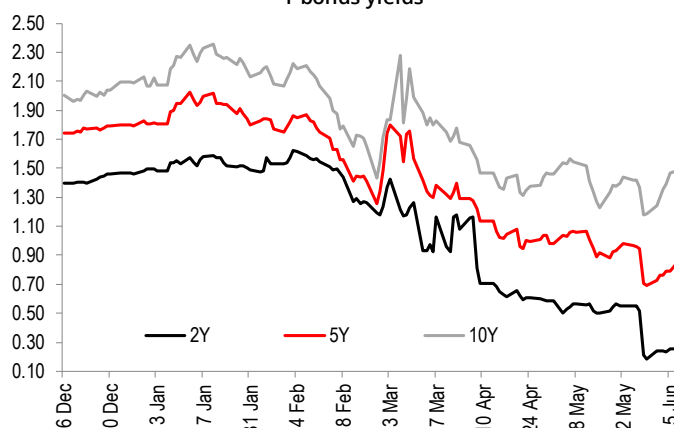
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

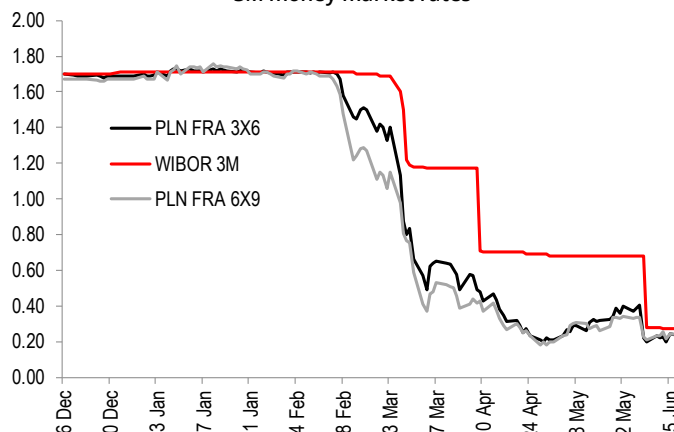
## Zloty exchange rate



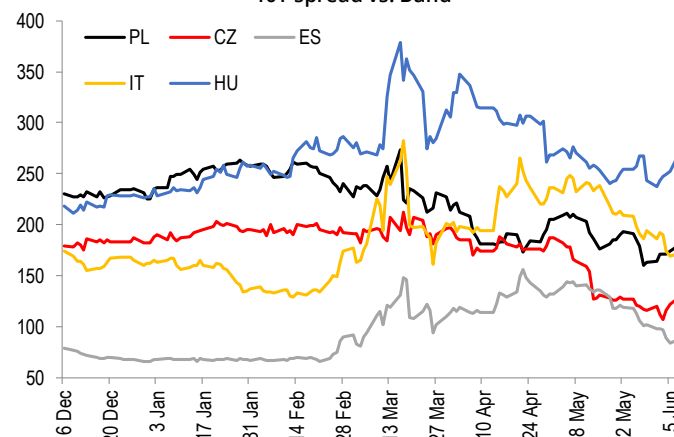
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	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	-	-33.7	-12.5
TUESDAY (9 June)								
08:00	DE	Exports SA	Apr	% m/m	-18.0	-	-24.0	-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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