

10 June 2020

Eyeopener

Worse sentiments, today Fed

Correction in market optimism
Another upward attempt of EURPLN
Higher volatility of EURUSD
Polish debt slightly stronger
Today in the evening Fed decision

On Tuesday the market mood was visibly different than on the previous days. Equity prices in Europe and USA fell and for the main stock indices this was only the fourth or the fifth downward session since mid-May. As the risk appetite weakened, core bond yields fell markedly and EM currencies lost. Some worsening of moods was probably triggered by new weaker-than-expected data from Germany (exports, following the output earlier on). Additionally, it turned out that euro zone GDP shrank in 1Q20 more than expected initially.

Investors could have taken their profits also due to the imminent **FOMC** meeting. We do not expect the US central bank to change any parameters of the monetary policy nor to introduce new growth supporting tools. Markets will be focused on the updated GDP, inflation and unemployment forecasts. Last time the Fed updated the forecasts was 6 months ago so the question is not whether the forecasts will be updated but rather by how much. According to Bloomberg the US 2020 GDP growth forecast stays at -6%, hence the market reaction to today's FOMC meeting will depend on how much the new Fed GDP forecast will differ from the consensus. Even if the Fed's forecast will happen to be more bearish we do not expect the reaction of the market to be long-standing.

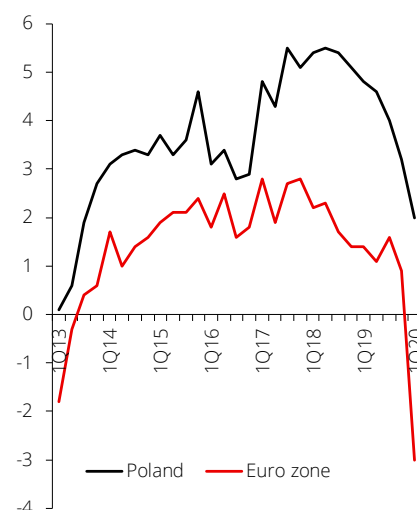
EURUSD fell shortly after the start of the session to around 1.125 from 1.13, but at the end of the day the dollar was losing again and the fx rate was at 1.135 when the local session closed. We think that the significant upside move despite poor European data is more an effect of positioning ahead of the today's FOMC. Today during the day volatility may drop only to rise in the evening in response to signals from the Fed.

EURPLN rebounded to 4.45 from 4.42 and **USDPLN** to 3.95 from 3.91 in the first hours of trading amid morning dollar appreciation and falling equity indexes. At the end of the day the Polish currency managed to recover its entire losses vs the dollar thanks to EURUSD rebound but EURPLN stayed near the session peak despite the fact that European stocks indexes started to rise from their daily lows.

In case of the other **CEE currencies**, **EURCZK** remained stable close to 26.55, **EURHUF** recorded the biggest daily rise since second half of May (to 345 from 343) while **USDRUB** rose to 68.66 from 67.96.

On the domestic interest rate market IRS and bond yields fell 5-10bp on the belly and long end amid strengthening of Bund and Treasuries. The 10Y UST yield fell a yet another 7bp and Bund closed near the opening level since it did not manage to keep initial gains.

GDP growth in Poland and euro zone, % y/y



Source: Eurostat, GUS, Santander

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FX market

Today's opening

EURPLN	4.4430	CZKPLN	0.1674
USDPLN	3.9112	HUFPLN*	1.2901
EURUSD	1.1358	RUBPLN	0.0571
CHFPLN	4.1295	NOKPLN	0.4213
GBPPLN	4.9951	DKKPLN	0.5968
USDCNY	7.0698	SEKPLN	0.4265

*for 100HUF

Last session in the FX market 09.06.2020

	min	max	open	close	fixing
EURPLN	4.422	4.452	4.424	4.443	4.444
USDPLN	3.907	3.954	3.920	3.916	3.945
EURUSD	1.124	1.136	1.128	1.135	-

Interest rate market 09.06.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.24	-1	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.83	-4	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.41	-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	0.25	0	0.32	0	-0.40	1
2L	0.35	-1	0.28	-2	-0.30	1
3L	0.45	-2	0.32	-2	-0.29	2
4L	0.56	-2	0.37	-3	-0.27	2
5L	0.66	-3	0.44	-4	-0.24	2
8L	0.88	-6	0.68	-4	-0.11	2
10L	0.98	-6	0.80	-4	-0.02	2

WIBOR rates

Term	%	Change (bps)
O/N	0.14	-1
T/N	0.15	0
SW	0.18	-1
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	0.25	1
3x6	0.22	-2
6x9	0.23	-1
9x12	0.25	-1
3x9	0.26	-1
6x12	0.31	-4

Measures of fiscal risk

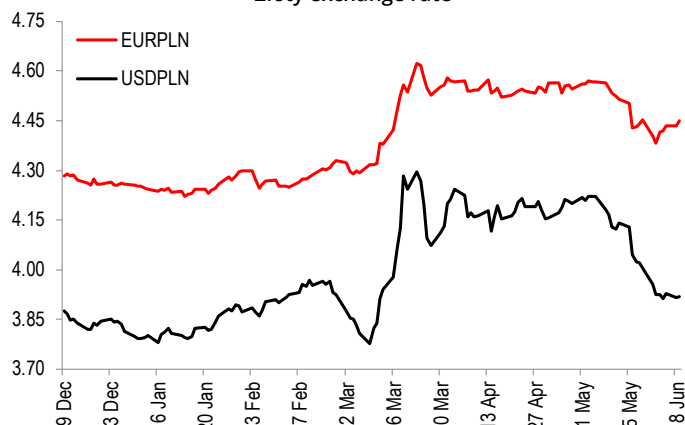
Measures of Fiscal Risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	172	-9
France	15	-1	38	2
Hungary	79	0	266	-5
Spain	71	3	95	7
Italy	120	3	177	5
Portugal	48	3	91	6
Ireland	25	-1	46	0
Germany	12	0	-	-

* 10Y treasury bonds over 10Y Bunds

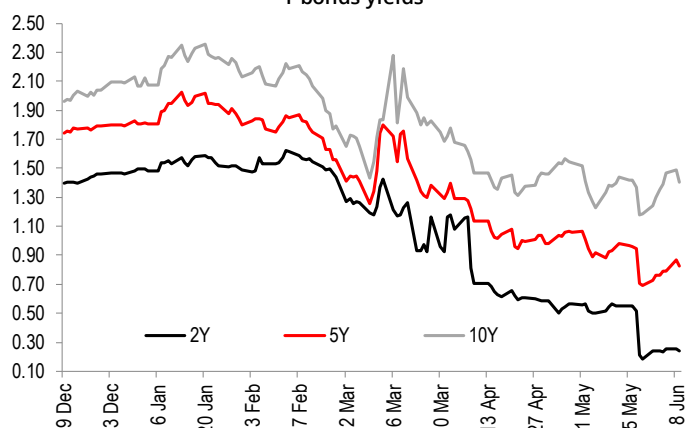
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

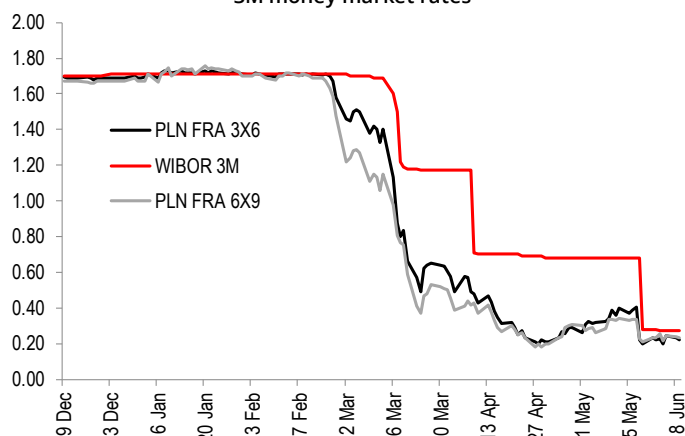
Zloty exchange rate



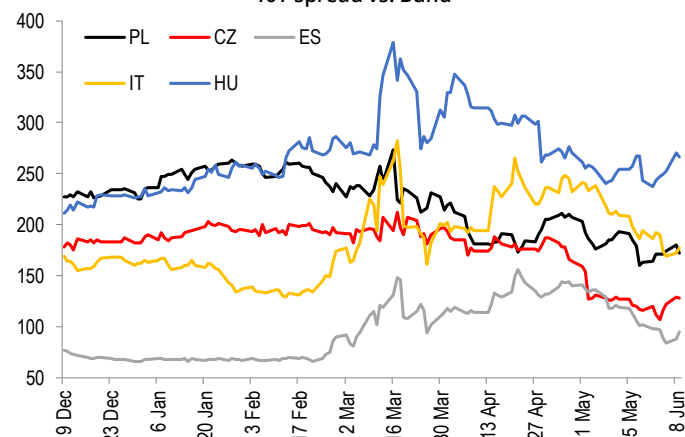
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
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	-	2.2	2.4
11:00	EZ	GDP SA	1Q	% q/q	-3.2	-	-3.6	-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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