

25 June 2020

# Eyeopener

## Czech central bank left rates unchanged

Less optimism on markets after IMF new forecasts  
Zloty stable despite stronger dollar  
Both Polish and core markets bonds gain  
Today data from US

Wednesday saw a correction of optimism predominating the markets over the last few days, even though the German Ifo index confirmed the positive signal sent by positive June PMI. Declines on the stock markets, appreciation of the dollar and stronger bonds on the core markets were a result of rumours about Donald Trump's plan to introduce tariffs on some European goods and forecasts of IMF presenting pessimistic forecasts for the global economy.

**IMF** lowered global growth forecast to -4.9% from -3.0% for 2020 and to +5.4% from +5.8% for 2021. After the revision GDP growth of the euro zone and the UK, among others, is seen below -10%. Only 2 out of 30 economies had their 2020 forecast upgraded, four saw no change (including Poland, at -4.6%). Half of the countries had both the 2020 and 2021 forecast lowered, and only in only three cases the sum of the revisions for the two years was positive. The report stressed that the global recession went deeper and the recovery will take longer than previously expected, because of persistent restrictions, more severe loss of global supply potential and worse productivity (due to new safety measures). A remark was made about the financial markets' rebound that IMF considers disconnected from the economic prospects, which could become a risk for baseline scenario. An alternative scenario - with new outbreak in early 2021 - has 4.9pp lower global growth, while a scenario of more effective virus containment and less precautionary behaviour of firms and consumers has global growth 0.5pp above the baseline 2020 value and 3pp above the 2021 value. The IMF report includes new support programs, including the German and the European Commission's one

**MPC's Jerzy Kropiwnicki** said yesterday that in 2021 the MPC should start hiking rates gradually and cautiously to pre-pandemic levels. His view is different from the MPC's consensus presented in official statements, and it seems to have evolved over the last days. In April Kropiwnicki was hoping that the MPC will not rush to hike rates so that the recovery is not hindered. Still, it seems that most MPC members view the epidemic as deflationary factor. In our view the MPC could even use forward guidance tools and state that rates will remain low for longer (which could weaken the zloty, which - according to the MPC - is too strong).

**NBP** informed at its website that the next MPC meeting was rescheduled to 14 July from 8 July. This will be a one day meeting, like earlier.

**EURUSD** trimmed yesterday nearly all the rebound recorded on Tuesday, even though the German Ifo index confirmed signal issued day earlier by the flash PMIs. Dollar appreciated versus main currencies, probably due to correction of global optimism. Looking in broader context, the rate has still remains at elevated level, c.1.12-1.14.

**EURPLN**, after opening at 4.445 has been rising steadily to 4.46. The zloty fared better than the forint (which was affected by the local interest rate cut) and the koruna (depreciating amid worries that the Czech central bank could ease policy as well). As a result, EURHUF rose for the third day in a row and breached 352.0, while EURCZK after the central bank decision but before the press conference hovered near 26.72 versus 26.59 at the opening, and closed the day at 26.75.

**The Czech National Bank** did not change interest rates and the main is still at 0.25%. The statement and the press conference did not suggest that the Czech central bankers are planning to resume rate cuts cycle any time soon or affect the koruna exchange rate by some other means. Despite not that dovish rhetoric of the central bank, EURCZK continued the upside move from the first part of the session.

On the **domestic bond market**, Wednesday was a yet another calm day when the trading was rather calm. Yields fell but by no more than 3bp while IRS rose but by no more than 3bp. On the core market, the 10Y Bund and UST gained at a similar scale to their Polish peer. At the bond repurchase auction, the central bank bought bonds for PLN2.4bn (while it declared it can purchase PLN12bn) with nearly PLN2bn of debt issued by the state owned BGK bank. At so far eight such auctions, the central bank bought bonds for the total amount of PLN94bn, including PLN50.7bn of Poland government bonds and the rest being bonds issued by Polish Development Fund (PFR) and BGK to finance anti-crisis programs.

### IMF Growth Forecasts

	2020	2021
<b>World</b>	<b>-4,9(-1,9)</b>	<b>5,4(-0,4)</b>
<b>Developed Markets</b>	<b>-8,0(-1,9)</b>	<b>4,8(0,3)</b>
USA	-8,0(-2,1)	4,5(-0,2)
Eurozone	-10,2(-2,7)	6,0(1,3)
Germany	-7,8(-0,8)	5,4(0,2)
France	-12,5(-5,3)	7,3(2,8)
Italy	-12,8(-3,7)	6,3(1,5)
Spain	-12,8(-4,8)	6,3(2,0)
Japan	-5,8(-0,6)	2,4(-0,6)
UK	-10,2(-3,7)	6,3(2,3)
<b>Emerging Markets</b>	<b>-3,0(-2,0)</b>	<b>5,9(-0,7)</b>
Emerging Europe	-5,8(-0,6)	4,3(0,1)
Poland	-4,6(0,0)	4,2(0,0)
<b>World Trade Turnover</b>	<b>-11,9(-0,9)</b>	<b>8,0(-0,4)</b>

Change from April 2020 in parentheses.  
Source: MFW, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: ekonomia@santander.pl  
website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
**Piotr Bielski** +48 22 534 18 87  
**Marcin Łuziński** +48 22 534 18 85  
**Wojciech Mazurkiewicz** +48 22 534 18 86  
**Grzegorz Ogonek** +48 22 534 19 23  
**Marcin Sulewski, CFA** +48 22 534 18 84

## FX market

### Today's opening

EURPLN	4.4576	CZKPLN	0.1663
USDPLN	3.9654	HUFPLN*	1.2652
EURUSD	1.1241	RUBPLN	0.0570
CHFPLN	4.1791	NOKPLN	0.4087
GBPPLN	4.9208	DKKPLN	0.5978
USDCNY	7.0770	SEKPLN	0.4230

\*for 100HUF

### Last session in the FX market

24.06.2020

	min	max	open	close	fixing
EURPLN	4.435	4.457	4.443	4.452	4.453
USDPLN	3.922	3.959	3.926	3.951	3.940
EURUSD	1.126	1.132	1.131	1.127	-

## Interest rate market

24.06.2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.18	0	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.75	-2	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.39	-1	5.03.2020	DS1029	1.725

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

RIS on the interbank market						
Term	PL		US		EZ (17.06)	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.24	2	0.28	-1	-0.44	0
2L	0.29	1	0.26	1	-0.37	-3
3L	0.35	2	0.26	0	-0.37	-3
4L	0.43	2	0.29	-1	-0.36	-3
5L	0.52	2	0.36	-1	-0.34	-3
8L	0.75	3	0.56	-2	-0.21	0
10L	0.86	2	0.67	-3	-0.16	-2

## WIBOR rates

Term	%	Change (bps)
O/N	0.12	0
T/N	0.12	-1
SW	0.16	-1
2W	0.19	-1
1M	0.23	0
3M	0.26	-1
6M	0.29	0
1Y	0.30	0

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

Term	%	Change (bps)
1x4	0.24	0
3x6	0.22	1
6x9	0.23	2
9x12	0.24	3
3x9	0.25	1
6x12	0.27	1

## Measures of fiscal risk

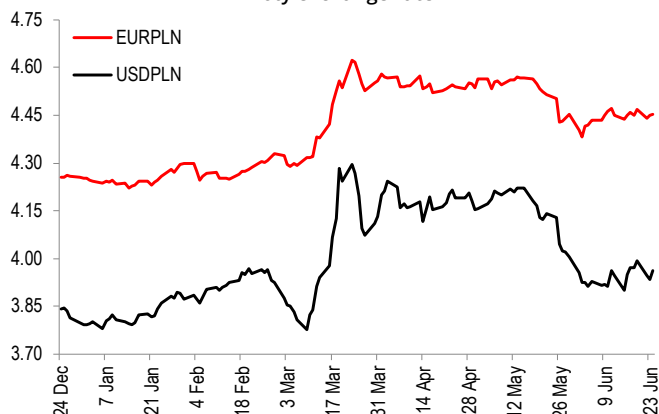
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	56	0	182	2
France	13	0	33	1
Hungary	77	0	253	-15
Spain	76	0	91	1
Italy	121	0	177	4
Portugal	46	0	91	0
Ireland	23	0	49	3
Germany	12	0	-	-

\* 10Y treasury bonds over 10Y Bunds

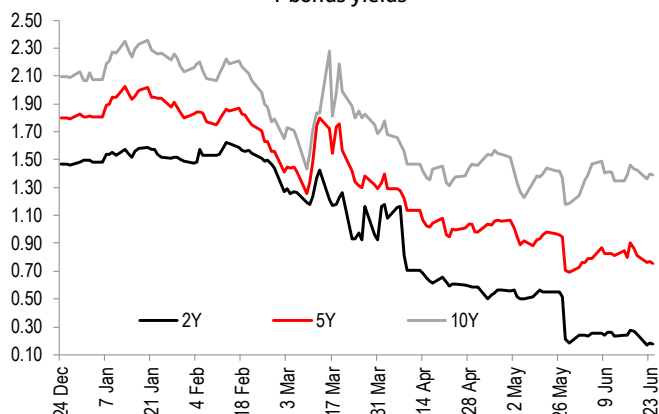
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

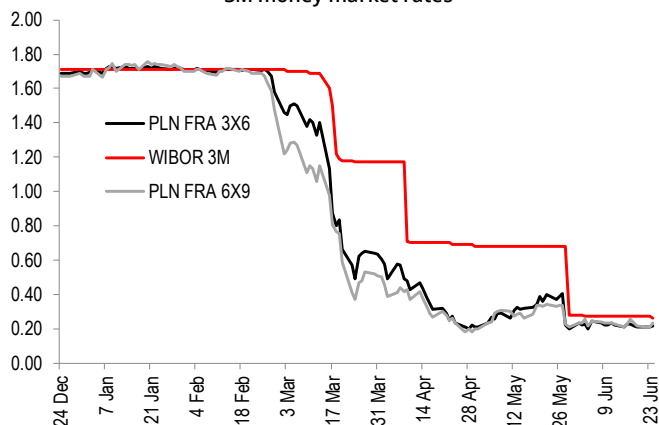
## Zloty exchange rate



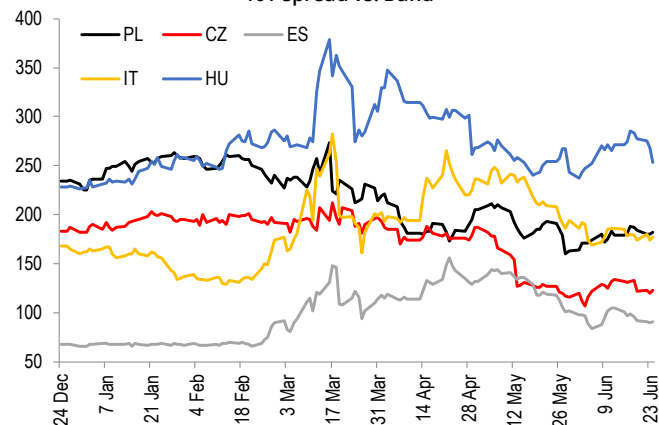
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		REALIZACJA	OSTATNIA WARTOŚĆ*
			MARKET	SANTANDER				
FRIDAY (19 June)								
10:00	PL	Industrial output	May	% y/y	-18.0	-16.7	-17.0	-24.6
10:00	PL	PPI	May	% y/y	-1.5	-1.4	-1.5	-1.3
MONDAY (22 June)								
10:00	PL	Real retail sales	May	% y/y	-11.7	-13.8	-7.7	-22.9
16:00	US	Home sales	May	% m/m	-4.2	-	-9.7	-17.8
TUESDAY (23 June)								
9:30	DE	Flash PMI – manufacturing	Jun	pts	44.0	-	44.6	36.6
10:00	EZ	Flash PMI – manufacturing	Jun	pts	43.2	-	46.9	39.4
14:00	PL	Money supply	May	% y/y	14.6	16.2	16.0	14.0
16:00	US	New home sales	May	% m/m	1.1	-	16.6	-5.2
WEDNESDAY (24 June)								
10:00	PL	Unemployment rate	May	%	6.1	6.0	6.0	5.8
10:00	DE	Ifo index	Jun	pts	85.0	-	86.2	79.5
13:00	CZ	Central bank decision		%	0.25	-	0.25	0.25
THURSDAY (25 June)								
14:30	US	GDP third estimate	Q1	% q/q	-5.0	-		-5.0
14:30	US	Durable goods orders	May	% m/m	12.0	-		-17.7
14:30	US	Initial jobless claims	week	k	-	-		1 508
FRIDAY (26 June)								
14:30	US	Consumer incomes	May	% m/m	-5.8	-		10.5
14:30	US	Consumer spending	May	% m/m	8.7	-		13.6
16:00	US	Michigan index	Jun	pts	78.9	-		78.9

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email [ekonomia@santander.pl](mailto:ekonomia@santander.pl), <http://www.santander.pl>.