

26 June 2020

Eyeopener

CEE3 currencies keep weakening

Market sentiment still uncertain, markets are afraid of the virus
 Zloty and other CEE currencies temporarily weaken, EURUSD lower
 Polish yields slightly lower, but less than the decline in core market yields
 Today another series of US data

Thursday was the second day of weaker market sentiment. There was less pessimism than on Wednesday and during the day some of the risk assets started to recover. Coronavirus was again in Focus with rising infections count in the US states that have recently eased the economic restrictions. Having performed stress tests of the US banking sector, Fed decided to limit dividend payouts in 3Q. What is more, the market seems still under influence of the recent downside growth revisions (IMF did so on Wednesday). ECB announced yesterday that it will launch repo lines with non-euro zone central banks to supply additional liquidity when needed. The US data released yesterday were mixed: weekly initial jobless claims was higher than expected, but durable goods orders rebounded more than consensus.

EURUSD declined yesterday for the second day in a row and for a short time it was even below 1.12, but at the end of the day it was close to 1.122 and this is where it has traded this morning. In the first part of the session the dollar was gaining on continued negative global market mood. As the pessimism eased, the US currency gave away a half of the gain. EURUSD has been at an elevated level for four weeks, attempting to break 1.14 and if there is no stronger impulse soon that would allow it to break the level, the chances for a significant appreciation of the dollar will grow.

EURPLN, rose on Thursday third day in a row and climbed to 4.47 for a while. During the night, a correction took place and today in the morning EURPLN opens at 4.455. USDPLN rebounded temporarily to 3.99 from 3.96 and starts the Friday's session at 3.97. Since second decade of June, EURPLN's trading range is narrowing gradually and in our view this suggests that we could see a bigger move soon. We think this could be rather to the upside.

In case of the **other CEE currencies** we have also observed an increased volatility amid swings of the global market mood. EURCZK continued the upside move initiated on Wednesday ahead of the Czech central bank decision and reached 26.85. In the second part of the day, the koruna recovered somewhat and the exchange rate closed at 26.7. EURHUF rose to 355.0 from 352.0 to its highest since late April. The ruble performed the best since it gained vs the dollar (USDRUB closed at 69.2) and neutralized half of the Wednesday's losses.

On the **domestic interest rate market**, Thursday was another day with falling yields and climbing IRS rates. The scale of changes did not exceed 2 bp. Core bonds gained more than Polish papers (Bund yield fell to -0.47% and 10Y UST to 0.67%), so 10Y Poland-Germany spread widened to 184bp and this is the highest this week. At the switch tender the Finance Ministry bought bonds worth PLN3.5bn and sold papers worth PLN3.6bn (mostly OK0722 worth PLN1.4bn and PS0425 worth PLN1.2bn).

EURPLN currency pair, year to date



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.4533	CZKPLN	0.1665
USDPLN	3.9737	HUFPLN*	1.2569
EURUSD	1.1212	RUBPLN	0.0575
CHFPLN	4.1888	NOKPLN	0.4109
GBPPLN	4.9309	DKKPLN	0.5978
USDCNY	7.0770	SEKPLN	0.4255

*for 100HUF

Last session in the FX market

6/25/2020

	min	max	open	close	fixing
EURPLN	4.446	4.472	4.458	4.454	4.450
USDPLN	3.955	3.993	3.962	3.970	3.962
EURUSD	1.119	1.125	1.125	1.122	-

Interest rate market

6/25/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.16	-2	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.75	-1	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.38	-1	5.03.2020	DS1029	1.725

IRS on the interbank market**

Rate on the interbank market						
Term	PL		US		EZ (17.06)	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	1	0.29	0	-0.45	0
2L	0.30	1	0.26	0	-0.37	0
3L	0.36	1	0.26	0	-0.37	0
4L	0.44	2	0.30	1	-0.37	-1
5L	0.53	2	0.37	1	-0.35	0
8L	0.77	1	0.56	1	-0.23	-1
10L	0.88	2	0.67	0	-0.17	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.11	-1
T/N	0.11	-1
SW	0.15	-1
2W	0.19	0
1M	0.23	0
3M	0.26	0
6M	0.29	0
1Y	0.30	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.21	-3
3x6	0.21	-1
6x9	0.22	-2
9x12	0.23	-1
3x9	0.24	-1
6x12	0.25	-2

Measures of fiscal risk

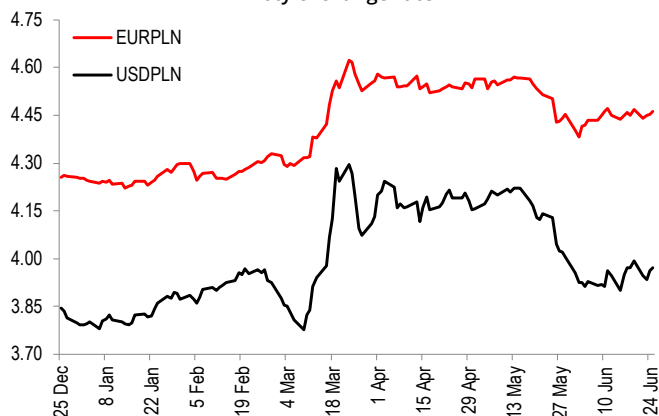
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	56	0	185	3
France	13	0	35	2
Hungary	77	0	270	17
Spain	79	3	93	2
Italy	127	6	184	6
Portugal	48	2	94	4
Ireland	23	0	50	1
Germany	12	0	-	-

* 10Y treasury bonds over 10Y Bunds

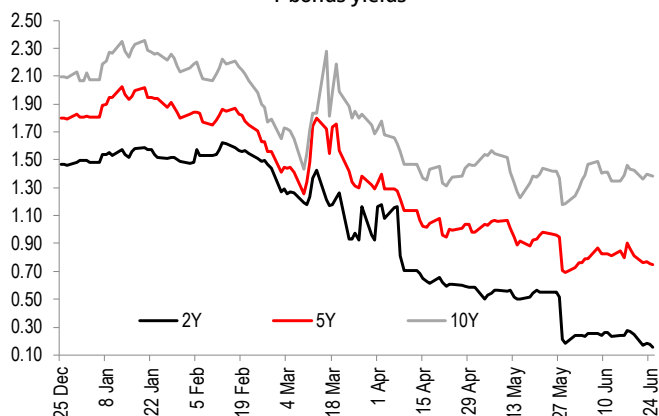
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

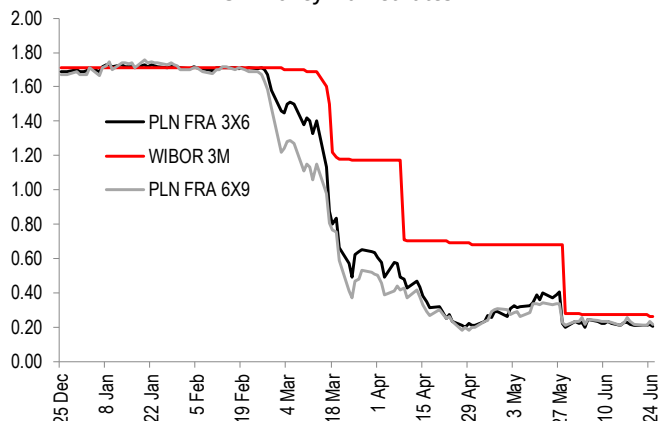
Zloty exchange rate



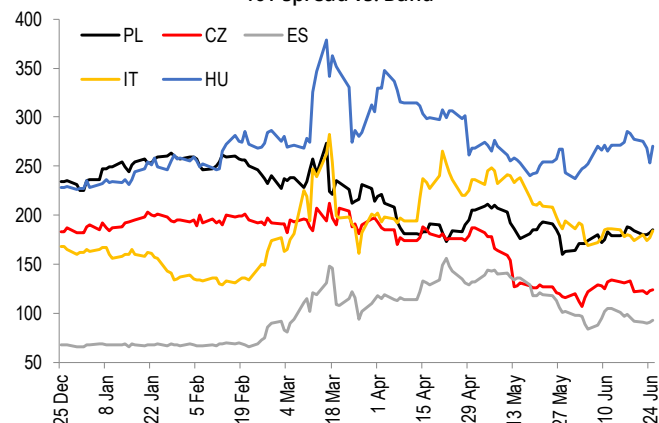
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	REALIZACJA	OSTATNIA WARTOŚĆ*
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	-5.0
14:30	US	Durable goods orders	May	% m/m	12.0	-	15.8	-18.1
14:30	US	Initial jobless claims	week	k	1 320	-	1 480	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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