

14 July 2020

# Eyeopener

## Today MPC meeting

Decent mood at the start of the week  
Zloty slightly weaker before the MPC meeting  
Polish bonds under pressure from the core markets  
Today MPC meeting, ZEW in Germany and CPI in the US

According to the full election results, Andrzej Duda won 51.03% of votes and Rafał Trzaskowski 48.97%. The turnout was 68.18%.

At the start of the week there was no important data releases, so the market attention focused on the financial results of US companies. The financial reports for Q2 were quite good (with surprises like Pepsi) and investors were more optimistic about changes for quick development of vaccine for coronavirus. As a result, stock market indices in Europe and USA were rising, which was negatively affecting bonds and safe haven currencies, like dollar, franc or yen. At the end of the day, when optimism (concerning mainly US tech stocks) had exhausted, S&P500 index closed below zero and US bond yields started declining again.

**EURUSD** rebounded yesterday to 1.136 from 1.13 lead by positive global sentiment. For five weeks now the FX rate is stabilising below the local peak of c.1.14 from early June set after a rise from 1.09 in May. The ongoing stabilisation may be a good base for an attack on 1.14 and a further rise once it is breached. The potential to rapid changes is constrained by the holiday season, which may discourage investors from opening larger positions. On Tuesday the exchange rate is opening around 1.1345.

**EURPLN** rose yesterday to c.4.49 from 4.46 despite positive mood on European stock exchanges and a rebound of EURUSD. Possibly, the today's MPC meeting may have weighed on the zloty. The June statement included a remark about zloty being too strong given the global circumstances. This has sparked thoughts if the central bank wants to act more decisively than just by verbal intervention to weaken the domestic currency. Yesterday weakness may also be a result of investor positioning on expectations that the central bank rhetoric about the zloty will toughen. As a result of the yesterday rise, EURPLN tested an important resistance level just above 4.48. It has to be noted that since the middle of June the trading range has been narrowing and every downside wave has been shorter than the previous one. We think that it is a signal that soon the rise of EURPLN may speed up and the exchange rate could return to 4.50-4.60 range in which it moved in March and April.

In case of the other **CEE currencies**, EURCZK and USDRUB witnessed some intraday volatility but ended the session near the opening levels at 26.63 and 70.62, respectively. EURHUF rose temporarily to nearly 356.5 from 352.5 and today in the morning is close to 355. Today Czech May current account data will be released.

On the **domestic interest rate market** mid- and long-term IRS and bond yields rose by c5bp following the weakening trend on the core markets. Polish debt lost somewhat more than the German and thus the 10Y yield spread rose to 182bp continuing the slow upside trend observed since early July. We do not expect the tone of the today's post-MPC meeting statement could have a meaningful impact on the market. The front end of the curve prices stable interest rates until the end of 2021 while the belly and long should benefit from the central bank's bond purchase program. Any rise of yields should be only a correction in the down trend, in our view.

**One-day MPC meeting** is taking place today. The Council will get to see the newest GDP and CPI forecasts prepared by the NBP staff. We do not know whether the NBP plans a usual conference to go through forecasts in details, but main points will be included in the MPC statement. We do not expect any change in monetary policy this time. But we have to admit that we wrote the same before last few MPC meetings and the Council managed to surprise us almost every time. Last time, in June, by including the new phrase in the statement about only a small correction of zloty exchange rate, which we perceived as a signal of possible higher central bank's activity on the FX market. Since mid-June, when this phrase was included, EURPLN rose slightly. It will be interesting to see if the MPC focus on exchange rate will be modified in any way.

### EURPLN Spot



Source: Bloomberg, Santander

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## FX market

### Today's opening

EURPLN	4.4891	CZKPLN	0.1664
USDPLN	3.9586	HUFPLN*	1.2527
EURUSD	1.1343	RUBPLN	0.0559
CHFPLN	4.2031	NOKPLN	0.4212
GBPPLN	4.9637	DKKPLN	0.5982
USDCNY	7.0097	SEKPLN	0.4317

\*for 100HUF

### Last session in the FX market

13/07/2020

	min	max	open	close	fixing
EURPLN	4.459	4.486	4.461	4.485	4.475
USDPLN	3.935	3.960	3.941	3.947	3.956
EURUSD	1.130	1.137	1.132	1.136	-

## Interest rate market

13/07/2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.13	0	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.83	7	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.40	6	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	0.21	1	0.25	1	-0.45	1
2L	0.30	1	0.21	0	-0.37	3
3L	0.38	3	0.23	0	-0.37	3
4L	0.49	5	0.26	-1	-0.35	3
5L	0.60	6	0.32	-2	-0.33	3
8L	0.82	7	0.50	-2	-0.23	4
10L	0.93	6	0.61	-2	-0.15	4

## WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.14	0
2W	0.19	0
1M	0.23	0
3M	0.26	0
6M	0.28	0
1Y	0.29	0

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

Term	%	Change (bps)
1x4	0.23	0
3x6	0.19	1
6x9	0.20	3
9x12	0.21	2
3x9	0.22	2
6x12	0.24	3

## Measures of fiscal risk

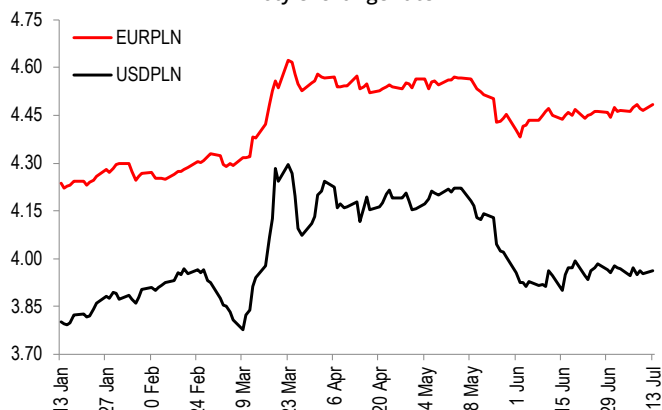
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	1	181	0
France	12	0	31	-1
Hungary	76	0	282	-3
Spain	75	-2	86	-3
Italy	121	-3	172	-4
Portugal	43	-2	87	-3
Ireland	21	0	43	-2
Germany	10	0	-	-

\* 10Y treasury bonds over 10Y Bunds

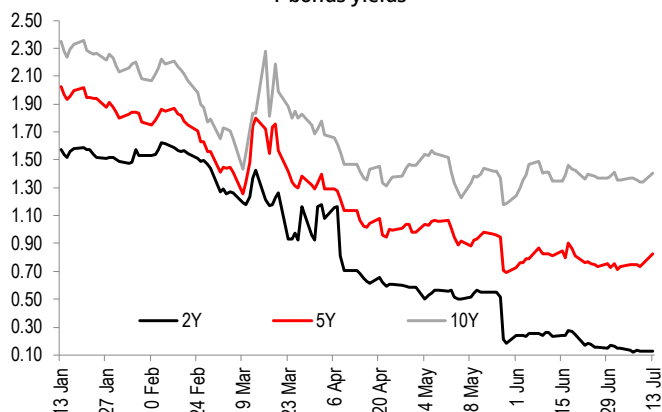
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

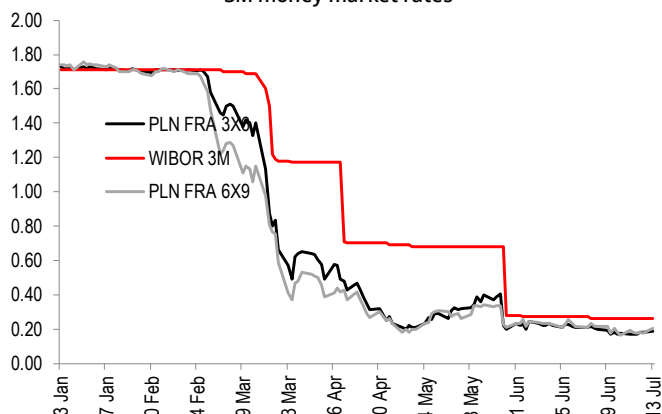
## Zloty exchange rate



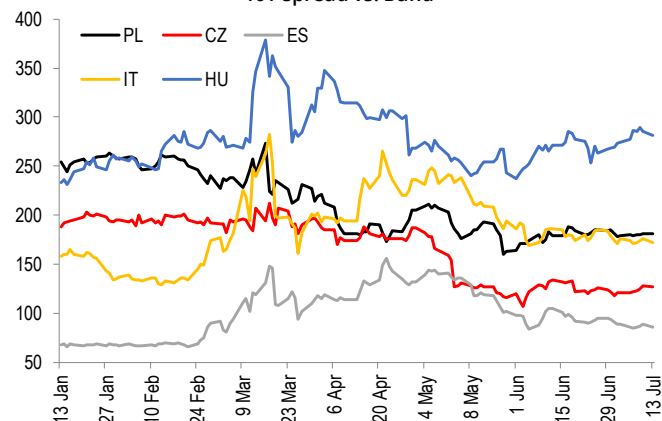
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (10 July)								
09:00	CZ	CPI	Jun	% y/y	2.9	-	3.3	2.9
TUESDAY (14 July)								
	PL	MPC decision		%	0.1	0.1		0.1
08:00	DE	HICP	Jun	% m/m	0.7	-	0.7	0.7
11:00	EZ	Industrial Production SA	May	% m/m	9.0	-		-17.1
11:00	DE	ZEW Survey Current Situation	Jul	pts	-62.5	-		-83.1
14:00	PL	Current Account Balance	May	€mn	772	857		1 163
14:00	PL	Trade Balance	May	€mn	176	-290		-33
14:00	PL	Exports	May	€mn	15 960	15 427		13 779
14:00	PL	Imports	May	€mn	15 915	15 717		13 812
14:30	US	CPI	Jun	% m/m	0.6	-		-0.1
WEDNESDAY (15 July)								
10:00	PL	CPI	Jun	% y/y	3.3	3.3		3.3
15:15	US	Industrial Production	Jun	% m/m	4.8	-		1.39
THURSDAY (16 July)								
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:00	PL	CPI Core	Jun	% y/y	4.1	4.3		3.8
14:30	US	Initial Jobless Claims	week	k	1 375	-		1 314
14:30	US	Retail Sales Advance	Jun	% m/m	5.5	-		17.7
14:30	US	Index Philly Fed	Jul	pts	20.0	-		27.5
FRIDAY (17 July)								
10:00	PL	Employment in corporate sector	Jun	% y/y	-3.9	-3.7		-3.2
10:00	PL	Average Gross Wages	Jun	% y/y	1.6	0.6		1.2
11:00	EZ	HICP	Jun	% y/y	0.3	-		0.3
14:30	US	Housing Starts	Jun	% m/m	21.15	-		4.3
16:00	US	Michigan index	Jul	pts	80.0	-		78.1

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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