

30 July 2020

Eyeopener

How deep 2Q GDP fall in USA and Germany?

FOMC did not change monetary policy parameters
 EURPLN slightly up
 Polish bond yields at low levels
 Today first reading of 2Q GDP in Germany and USA

During the Wednesday's session investors were awaiting the evening FOMC decision. European stocks rose slightly, while gold and silver, which rallied recently, remained stable slightly below their peaks. Bond yields remained near their local lows.

FOMC unanimously decided to keep interest rates unchanged. The other monetary policy parameters were left unchanged as well (on Tuesday the Fed extended its lending programs until December 31). In particular, the US central bankers did not decide to start the yield curve control program already at this stage while some in the market expected this could happen. In the statement, the FOMC members stressed that the coronavirus pandemic is the main factor determining the level of an economic activity and the central bank is ready to use its available instruments if needed. Jerome Powell said during the press conference that the Committee does not consider rate hikes at all and does not plan to start equity purchases. The July meeting did not change much regarding the US monetary policy outlook and did not have much impact on the market.

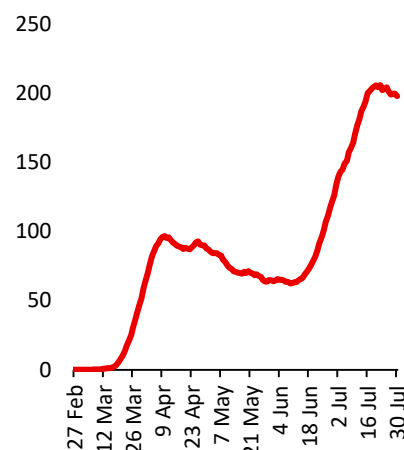
Yesterday **EURUSD** traded near a multiple month maximum at about 1.178 which was reached already at the beginning of the week as markets awaited yesterday's FOMC decision. The daily range was even lower than day before. The outcome of the FOMC meeting itself managed to push the currency pair even higher (to 1.18) but as it turned out the spike was not permanent. Today in the morning EURUSD is near 1.175 and we think that in the short term the dollar might regain some losses from the previous weeks.

EURPLN closed the day at 4.415 after it earlier traded within a 4.40-4.42 range. USDPLN remained near 3.76. The evening post-FOMC dollar strengthening helped the EURPLN to rise to 4.42 today in the morning. We think that in the following days zloty might give back the recent gains, however EURPLN should not rise above 4.45.

In the case **of other CEE currencies**, the largest changes were seen on EURHUF, which broke 348 for a short period and ended the day just below 346. EURCZK moved close to the Tuesday close and USDRUB did not continue to rise having broken the 72 resistance a day earlier.

On the **domestic interest rate market**, the session saw little volatility. IRS and yields moved somewhat lower, by c.2bp. On core markets, Bund weakened (yield up by 3bp) and Treasuries were stable. Yesterday state-owned BGK bank sold at an auction Covid bonds worth c.PLN5.5bn.

Number of COVID-19 infections in the USA per 1 million inhabitants, 7 day moving average



Source: Johns Hopkins University, Santander

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FX market

Today's opening

EURPLN	4.4157	CZKPLN	0.1666
USDPLN	3.7569	HUFPLN*	1.2754
EURUSD	1.1751	RUBPLN	0.0514
CHFPLN	4.1092	NOKPLN	0.4132
GBPPLN	4.8645	DKKPLN	0.5923
USDCNY	7.0045	SEKPLN	0.4286

*for 100HUF

Last session in the FX market

29.07.2020

	min	max	open	close	fixing
EURPLN	4.405	4.426	4.412	4.415	4.419
USDPLN	3.744	3.777	3.763	3.752	3.761
EURUSD	1.172	1.178	1.173	1.177	-

Interest rate market

29.07.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.13	1	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.71	-2	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.34	0	5.03.2020	DS1029	1.725

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.19	-1	0.24	-1	-0.47	0
2L	0.25	-1	0.21	-1	-0.41	0
3L	0.32	0	0.21	-1	-0.41	0
4L	0.44	1	0.24	-1	-0.39	1
5L	0.56	1	0.29	-1	-0.37	2
8L	0.78	1	0.46	-1	-0.29	2
10L	0.89	1	0.56	-1	-0.21	3

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.12	0
2W	0.18	0
1M	0.22	0
3M	0.24	0
6M	0.28	0
1Y	0.29	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.22	0
3x6	0.17	0
6x9	0.17	-1
9x12	0.18	-1
3x9	0.21	0
6x12	0.21	0

Measures of fiscal risk

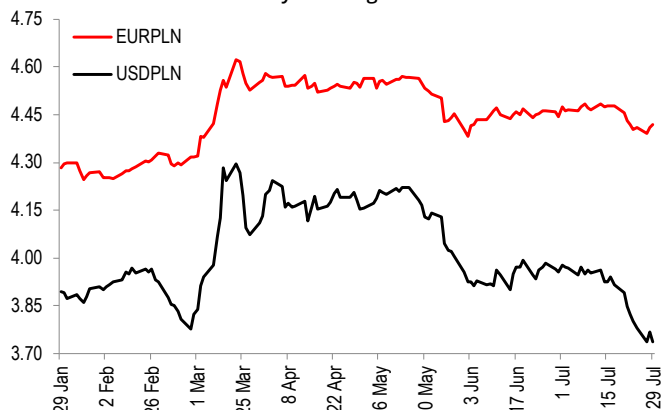
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	0	184	-1
France	10	-1	32	0
Hungary	74	0	265	0
Spain	69	0	85	-2
Italy	110	-3	156	-2
Portugal	43	0	86	-2
Ireland	20	0	40	0
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

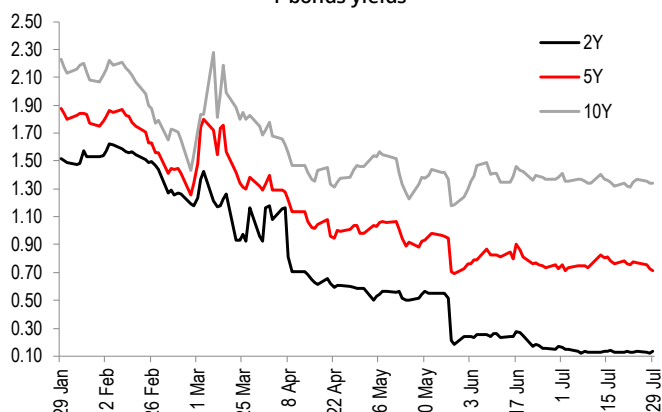
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

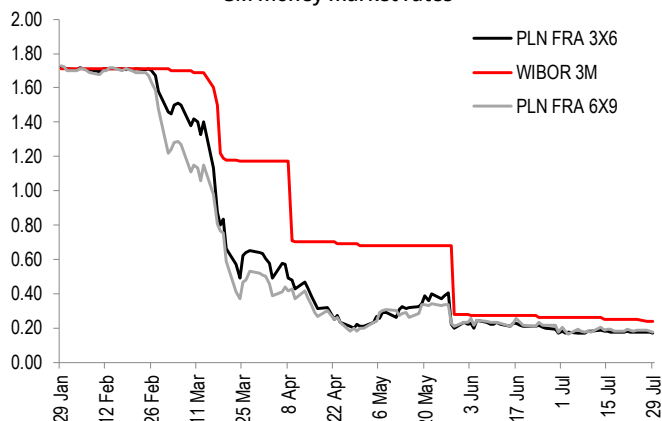
Zloty exchange rate



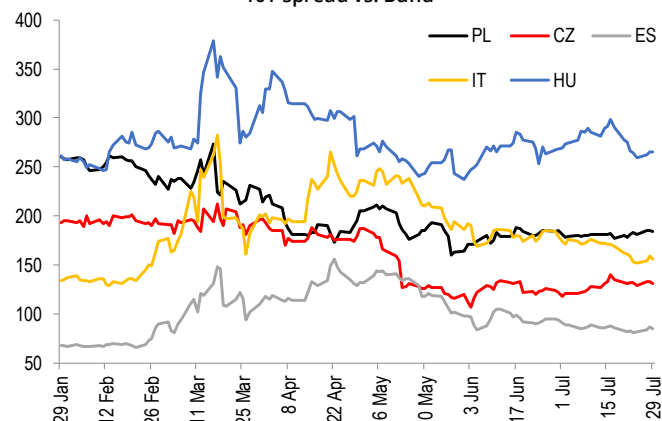
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (24 July)								
09:30	DE	Flash Germany Manufacturing PMI	Jul	pts	48.0	-	50.0	45.2
09:30	DE	Flash Markit Germany Services PMI	Jul	pts	50.5	-	56.7	47.3
10:00	EZ	Flash Eurozone Manufacturing PMI	Jul	pts	50.05	-	51.1	47.4
10:00	EZ	Flash Eurozone Services PMI	Jul	pts	51.0	-	55.1	48.3
16:00	US	New Home Sales	Jun	% m/m	3.55	-	13.8	16.6
MONDAY (27 July)								
10:00	DE	IFO Business Climate	Jul	pts	89.3	-	90.5	86.2
14:30	US	Durable Goods Orders	Jun	% m/m	7.0	-	7.3	15.1
TUESDAY (28 July)								
16:00	US	Consumer Conference Board	Jul	pts	94.75	-	92.6	98.1
WEDNESDAY (29 July)								
16:00	US	Pending Home Sales	Jun	% m/m	15.6	-	16.6	44.3
20:00	US	FOMC decision	Jul.20		0.25	-	0.25	0.25
THURSDAY (30 July)								
10:00	DE	GDP WDA	2Q	% y/y	-10.9	-		-2.3
11:00	EZ	ESI	Jul	pct.	82.5	-		75.7
14:00	DE	HICP	Jul	% m/m	0.0	-		0.7
14:30	US	GDP annualized	2Q	% q/q	-34.0	-		-5.0
14:30	US	Initial Jobless Claims	week	k	1 300	-		1 416
FRIDAY (31 July)								
09:00	CZ	GDP SA	2Q	% y/y	-12.5	-		-2.0
10:00	PL	Flash CPI	Jul	% y/y	3.1	3.2		3.3
11:00	EZ	Flash HICP	Jul	% y/y	0.3	-		0.3
11:00	EZ	GDP SA	2Q	% y/y	-13.9	-		-3.1
14:30	US	Personal spending	Jun	% m/m	5.5	-		8.2
14:30	US	Personal income	Jun	% m/m	-0.5	-		-4.2
14:30	US	PCE deflator SA	Jun	% m/m	0.5	-		0.1
16:00	US	Michigan index	Jul	pts	72.6	-		73.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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