

7 August 2020

# Eyeopener

## Czech central bank left rates on hold

Slight correction of market optimism  
EURPLN higher, EURUSD lower  
Bonds gain  
Today US non-farm payrolls

On Thursday Asian and European stock indices fell around 1%. The dollar was stable vs developed market currencies, but was strengthening vs emerging market currencies. The core market yields declined (UST to 0.52%, Bund to -0.54%). Bank of England has not changed interest rates, while the pound slightly gained. Gold price rose (\$2060 per ounce), and the increase since mid-July stands at 14%. Yesterday oil was stable at \$46 per barrel. June Germany factory orders (at -11.3% y/y) were over 6pp better than expected while German construction PMI moved back to almost 50.0 after an almost 9pp jump. In the US, weekly initial jobless claims were much lower than a week ago and below expectations. Today in the morning, there were another better-than-expected data from Germany – exports and industrial production.

On 8th August **epidemic restrictions will be reintroduced** in some powiats (second-level local government units). Powiats will be divided into three classes: "red" the most threatened, "yellow" the medium threatened and "green" least threatened. The "colours" are to be updated on a regular basis, with "red" status attained after new infections exceed 12 per 10k people and "yellow" after exceeding 6. In "green" zones there are no changes in restrictions. In "yellow" zones there will be a limit of people in restaurants, congresses, fitness clubs (1 person per 4 m<sup>2</sup>), in cinemas and on sport events (up to 25% of seats), on private events like weddings (100 people). In "red" zones all congresses, cultural and sports events are to be called off, fitness clubs and cinemas to be closed. There will be limits on number of people in restaurants and churches (1 person per 4 m<sup>2</sup>), on public transport (50% of seats), on private events like weddings (50 people). Moreover, masks are to be worn in all public places. The "red" list includes 9 powiats with total population above 1 million (2.7% of country's population), producing 2.5% of total PIT income and 1.3% of total CIT income. The "yellow" list includes 10 powiats inhabited by over 800 thousand people (2.1% of country's populations), producing 2.2% of PIT income and 1.3% of CIT income.

**EURUSD** on Thursday opened at 1.187 and shortly after attacked 1.19 for the third time this week. The pair closed at 1.184. In our opinion, failed attack higher suggest that in the short term EURUSD might move towards 1.16 especially if today's non-farm payrolls prove to be strong.

**EURPLN** was stable for another day, but the low volatility did not prevent from a small upside move. Already yesterday EURPLN returned above 4.40 and this morning is around 4.42. Over the last days, the exchange rate approached twice the 200d moving average that we indicated, but failed to break it. We think it will continue to limit the potential to a deeper decline of EURPLN, especially if the dollar starts to recover soon.

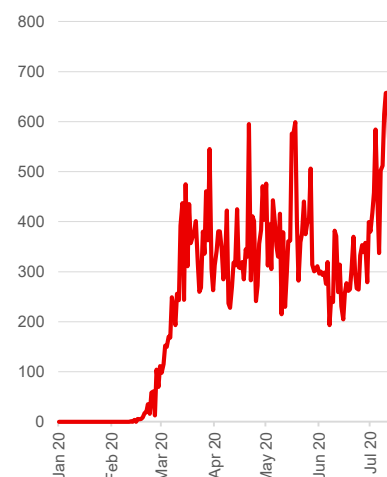
**In case of the other CEE currencies**, in Hungary, June industrial output (-12.2% y/y) was better than expected. The forint seemed however more sensitive to the negative sentiment on European stock exchanges than to local factors and EURHUF rose by 0.4% to 346.1. Czech central bank did not change interest rates and Czech industrial output (-7.0% y/y) surprised positively. June trade balance registered the largest surplus (CZK34.1bn) in more than two decades. The reading came after an extreme drop in May. On Thursday EURCZK rose by 0.7% to 26.26. The ruble basket rose by 0.7% to 79.5 which should be considered a negative outcome when oil price is stable.

**On the domestic interest rate market**, FRA and short IRS declined somewhat (e.g. FRA 9x12 to 0.14% and 2Y IRS to 0.20% - both down by 2bp). 2Y bond yield did not change, still at 0.10%. Yield of 10Y bond declined by 2bp to 1.29% leading to the Bund spread of 183bp.

**The Ministry of Finance** at a switch auction sold bonds of six series (OK0423, PS0425, WZ0525, WZ1129, DS1030) for PLN3.54bn. It bought back DS1020, WZ0121, PS0421, OK0521 worth PLN3.48bn in total. What is more, the ministry informed that at the end of July it held PLN127bn on its PLN and fx accounts.

**Polish Development Fund (PFR)** informed that the next issuance of its bonds will be on August 13 (so next Thursday, usually these auctions were held on Fridays). PFR will offer 7Y and 10Y bonds with planned supply of PLN3-5bn. PFR issued bonds worth PLN62bn so far and according to its July indications, the whole program could reach PLN85-90bn.

### New daily cases of COVID-19 in Poland



Source: John Hopkins University, Santander

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## FX market

### Today's opening

EURPLN	4.4190	CZKPLN	0.1662
USDPLN	3.7310	HUFPLN*	1.2615
EURUSD	1.1844	RUBPLN	0.0508
CHFPLN	4.0936	NOKPLN	0.4108
GBPPLN	4.8954	DKKPLN	0.5923
USDCNY	6.9599	SEKPLN	0.4263

\*for 100HUF

### Last session in the FX market

8/6/2020

	min	max	open	close	fixing
EURPLN	4.393	4.413	4.398	4.410	4.410
USDPLN	3.688	3.730	3.702	3.720	3.724
EURUSD	1.182	1.192	1.188	1.185	-

## Interest rate market

8/6/2020

### 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)	0.67	-2	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.28	-2	5.03.2020	DS1029	1.725

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

Rate on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.16	-1	0.22	0	-0.47	0
2L	0.21	-2	0.19	0	-0.43	0
3L	0.27	-1	0.20	0	-0.43	-1
4L	0.37	-1	0.22	0	-0.41	-1
5L	0.48	-2	0.27	0	-0.40	-1
8L	0.72	-2	0.44	-1	-0.31	-2
10L	0.83	-2	0.53	-1	-0.24	-2

## WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.12	0
2W	0.17	0
1M	0.20	0
3M	0.23	0
6M	0.27	0
1Y	0.28	0

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

Term	%	Change (bps)
1x4	0.20	-1
3x6	0.15	0
6x9	0.14	-1
9x12	0.14	-1
3x9	0.19	1
6x12	0.18	0

## Measures of fiscal risk

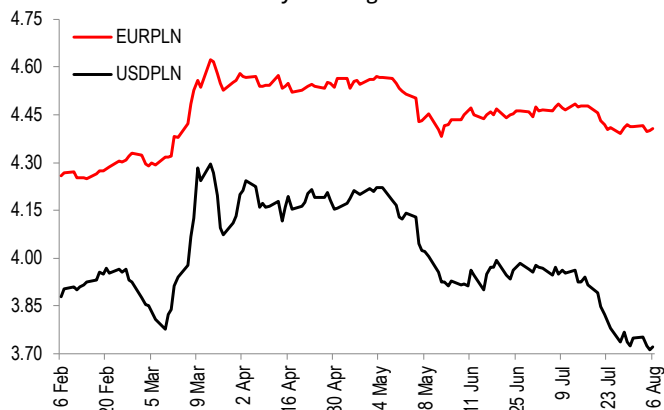
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	0	181	0
France	10	0	30	0
Hungary	75	0	262	4
Spain	64	0	81	-2
Italy	105	-1	152	-3
Portugal	40	0	84	0
Ireland	18	0	39	0
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

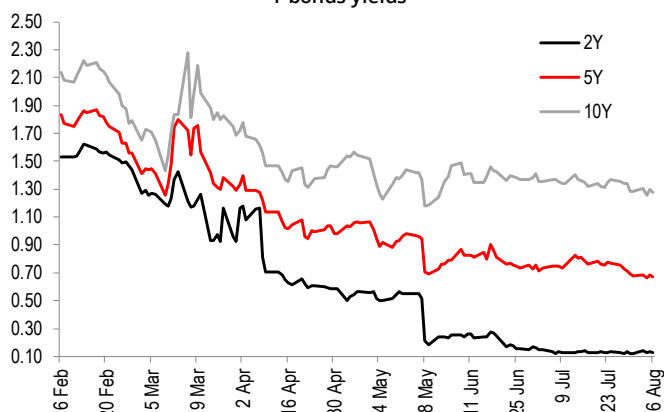
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

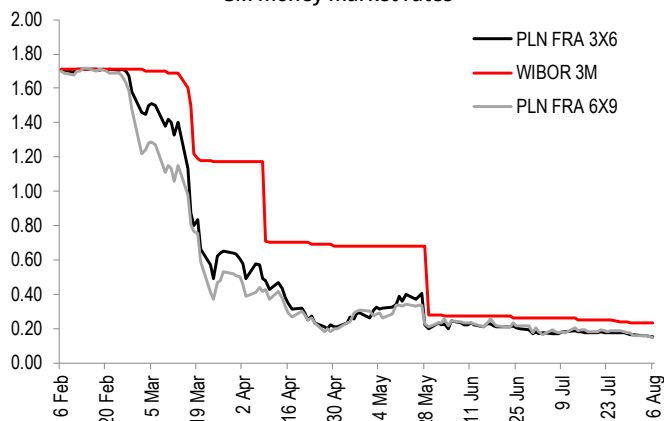
## Zloty exchange rate



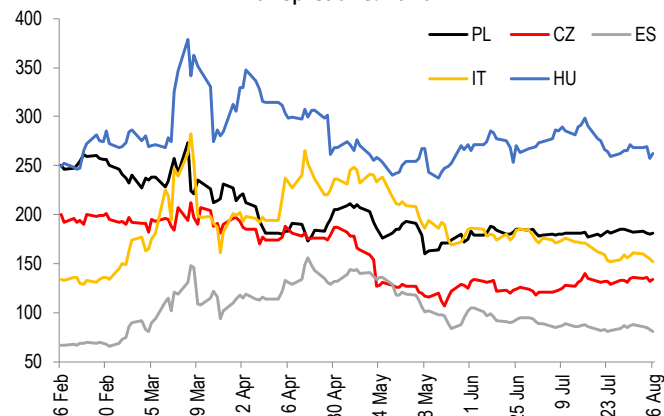
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (31 July)								
08:00	DE	Retail Sales	Jun	% m/m	-3.0	-	-1.6	13.9
09:00	CZ	GDP SA	2Q	% y/y	-12.3	-	-10.7	-2.0
10:00	PL	CPI	Jul	% y/y	3.1	3.2	3.1	3.3
11:00	EZ	Flash HICP	Jul	% y/y	0.2	-	0.4	0.3
11:00	EZ	GDP SA	2Q	% y/y	-14.5	-	-15.0	-3.1
14:30	US	Personal Spending	Jun	% m/m	5.2	-	5.2	8.4
14:30	US	Personal Income	Jun	% m/m	-0.55	-	-1.1	-4.4
14:30	US	PCE Deflator SA	Jun	% m/m	0.44	-	0.4	0.1
16:00	US	Michigan index	Jul	pts	72.85	-	72.5	73.2
MONDAY (3 August)								
09:00	PL	Poland Manufacturing PMI	Jul	pts	50.0	50.0	52.8	47.2
09:55	DE	Germany Manufacturing PMI	Jul	pts	50.0	-	51.0	50.0
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	51.1	-	51.8	51.1
16:00	US	ISM manufacturing	Jul	pts	53.6	-	54.2	52.6
TUESDAY (4 August)								
16:00	US	Durable Goods Orders	Jun	% m/m	7.3	-	7.6	7.3
16:00	US	Factory Orders	Jun	% m/m	5.0	-	6.2	7.7
WEDNESDAY (5 August)								
03:45	CN	Caixin China PMI Services	Jul	pts	57.9	-	54.1	58.4
09:55	DE	Markit Germany Services PMI	Jul	pts	56.7	-	55.6	56.7
10:00	EZ	Eurozone Services PMI	Jul	pts	55.1	-	54.7	55.1
11:00	EZ	Retail Sales	Jun	% m/m	6.1	-	5.7	20.3
14:15	US	ADP report	Jul	k	1 200	-	167	4 314
16:00	US	ISM services	Jul	pts	55.0	-	58.1	57.1
THURSDAY (6 August)								
08:00	DE	Factory Orders	Jun	% m/m	10.1	-	27.9	10.4
09:00	CZ	Industrial Production	Jun	% y/y	-11.4	-	-7.0	-29.4
09:00	HU	Industrial Production SA	Jun	% y/y	-12.8	-	-12.2	-27.8
14:30	US	Initial Jobless Claims	week	k	1 445	-	1186	1 435
14:30	CZ	Central Bank Rate Decision		%	0.25	-	0.25	0.25
FRIDAY (7 August)								
08:00	DE	Exports SA	Jun	% m/m	0.0	-	14.9	8.9
08:00	DE	Industrial Production SA	Jun	% m/m	7.2	-	8.9	7.4
14:30	US	Change in Nonfarm Payrolls	Jul	k	1 635	-		4 800
14:30	US	Unemployment Rate	Jul	%	10.5	-		11.1

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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