

10 July 2020

Eyeopener

Calmly before the election

Risky assets are stable
Zloty slightly stronger
Polish bond yields down, following core markets
Today Czech inflation, US PPI inflation, industrial output in France

On Thursday the higher-risk markets were quiet – amplitude of main stock indices' was lower than 1%. Crude oil price was going down and industrial metals (copper, aluminium) were slightly gaining. Bond yields in the core markets were declining again. US data about new jobless claims were better than expected. USDCNY broke through the symbolic level 7.00, on its way down. If this pair moves significantly below 7.00, for example to 6.98, which is another important level from the technical analysis point of view, the rest of EM currencies could join the trend and strengthen as well. Thus, the yuan exchange rate could be a leading indicator for other EM currencies in the near term.

MPC member Łukasz Hardt wrote in the article published by Bezpieczny Bank journal that one of the ways to normalize monetary policy could be to hike interest rates before withdrawing from the asset purchases. He also proposed introduction of long-term repo operations (2Y or longer) with interest below the reference rate. The nearest MPC meeting is scheduled for 14 July.

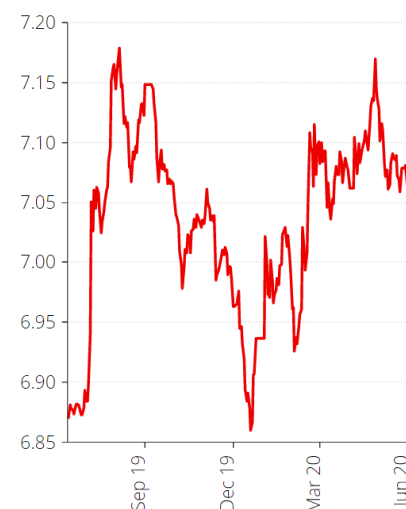
EURUSD after significant increases on Wednesday, on Thursday opened at 1.135 and for another time tried to break higher and reached a local maximum at 1.137. Next, however, the dollar gained significantly, EURUSD fell to below 1.13 and closed the day down 0.3%. On Friday morning the pair opens even lower at 1.126. In our opinion, even if the currency pair would move higher in the medium term, in the short term EURUSD should fall lower towards the 1.105 level.

EURPLN after opening on Thursday at 4.475 declined during the day and neared 4.46. At the end of the day EURPLN moved higher toward 4.47 again and closed at 4.473 – almost where it opens on Friday morning. Today the pair will likely remain in a horizontal range again as the markets await the outcome of the second round of the Presidential Elections. Newest polls suggest both candidates have equal chances of winning.

In **other countries of the CEE region**, EURHUF dropped by 0.4% to 353.5 amid better than expected trade balance data (a rise to EUR155mn in May from EUR-561mn in April). EURCZK moved the other way, having opened around 26.65 it rose near the end of the day to 26.7. Unemployment rate in Czechia rose to 3.7% from 3.6% in line with expectations. USDRUB opened at 71.3 and during the day descended to 70.5%, so by c.1%, only to rise to 71.0.

On **the domestic interest rate market**, FRAs did not change much and short IRS too – 2Y stayed at 0.28%. However, 10Y IRS dropped to 0.88% from 0.91% with most of the move coming late in the session. Bond yields showed a similar pattern, 2Y down by 1bp to 0.10% - depressed by overliquidity, this part of the curve has already fell by 7bp since the middle of June. 10Y yield dropped to 1.34% from 1.38%, but Bund spread did not change from 180bp as core market yields were also going down. We expect a further decline of yields in Poland with banking sector overliquidity pressure still in place – this could now affect the belly of the curve possibly bringing 5Y yield soon to c0.60%.

USDCNY



Source: Refinitiv

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FX market

Today's opening

EURPLN	4.4754	CZKPLN	0.1668
USDPLN	3.9732	HUFPLN*	1.2632
EURUSD	1.1261	RUBPLN	0.0559
CHFPLN	4.2142	NOKPLN	0.4179
GBPPLN	4.9947	DKKPLN	0.5982
USDCNY	7.0080	SEKPLN	0.4286

*for 100HUF

Last session in the FX market

09.07.2020

	min	max	open	close	fixing
EURPLN	4.460	4.477	4.475	4.469	4.474
USDPLN	3.930	3.963	3.936	3.956	3.949
EURUSD	1.128	1.137	1.136	1.130	-

Interest rate market

09.07.2020

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)	0.73	-1	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.34	-2	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	0.20	1	0.25	0	-0.46	0
2L	0.28	0	0.21	-1	-0.38	-1
3L	0.35	-1	0.22	-1	-0.38	-2
4L	0.45	-2	0.25	-2	-0.37	-2
5L	0.54	-3	0.32	-4	-0.35	-2
8L	0.75	-4	0.49	-4	-0.26	-3
10L	0.87	-4	0.59	-4	-0.19	-3

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	1
3x6	0.18	1
6x9	0.18	0
9x12	0.20	1
3x9	0.18	-2
6x12	0.23	1

Measures of fiscal risk

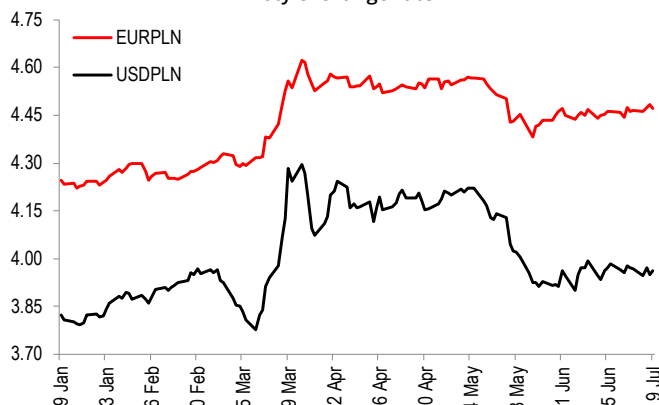
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	0	180	0
France	12	0	31	0
Hungary	76	0	289	4
Spain	76	2	87	1
Italy	122	3	174	3
Portugal	43	2	88	3
Ireland	22	1	44	0
Germany	10	0	-	-

* 10Y treasury bonds over 10Y Bunds

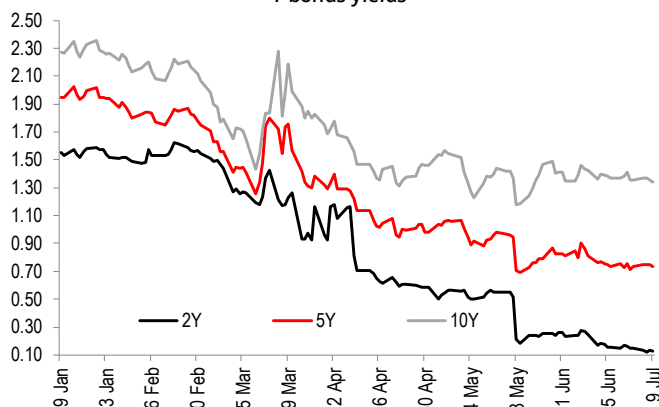
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

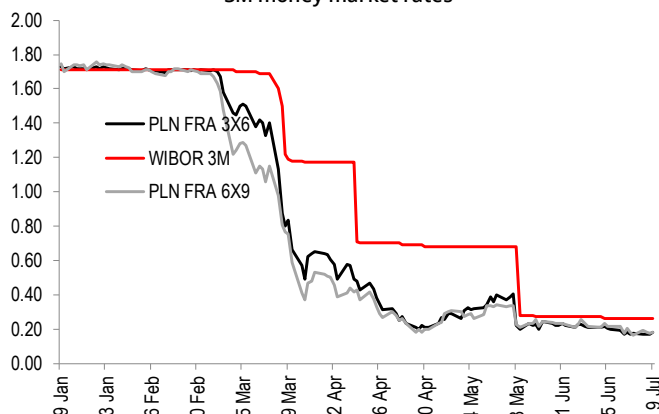
Zloty exchange rate



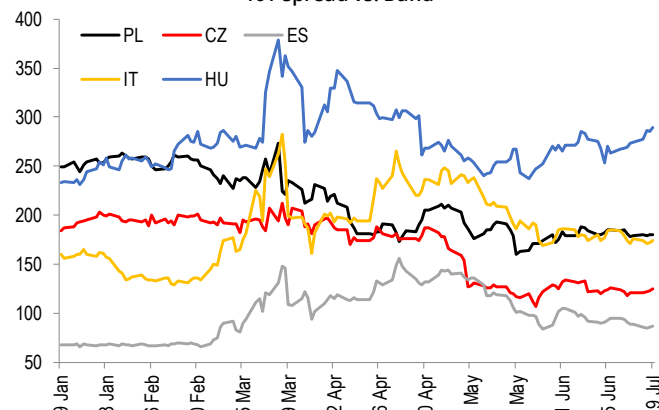
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
FRIDAY (3 July)								
03:45	CN	Caixin China PMI Services	Jun	pts	53.3		58.4	55.0
09:55	DE	Markit Germany Services PMI	Jun	pts	45.8		47.3	45.8
10:00	EZ	Eurozone Services PMI	Jun	pts	47.3		48.3	47.3
MONDAY (6 July)								
08:00	DE	Factory Orders	May	% y/y	-26.0		-29.3	-36.0
09:00	HU	Retail Sales	May	%y/y	-3.8		-2.1	-10.2
11:00	EZ	Retail Sales	May	% y/y	-6.5		-5.1	-19.6
15:45	US	PMI services	Jun final	pts	46.7		47.9	37.5
16:00	US	ISM non-manufacturing	Jun	pts	50.0		57.1	45.4
TUESDAY (7 July)								
08:00	DE	Industrial Production	May	% y/y	-16.9		-19.3	-25.3
09:00	CZ	Industrial Output	May	% y/y	-22.4		-29.5	-33.7
10:00	PL	Foreign Exchange Reserves	Jun	EUR bn			129.0	132.8
10:00	HU	Industrial Production	May	% y/y	-36.6		-24.3	-27.6
WEDNESDAY (8 July)								
09:00	HU	CPI	Jun	%y/y	3.0		2.9	2.2
09:00	CZ	Retail Sales	May	%y/y	-14.4		-12.2	-21.5
18:00	RU	CPI	Jun	% y/y	3.2		3.2	3.0
THURSDAY (9 July)								
03:30	CN	CPI	Jun	%y/y	2.5		2.5	2.4
08:00	DE	Current Account	May	EUR bn	10.0		6.5	9.1
08:00	DE	Trade Balance	May	EUR bn	7.0		7.1	3.6
09:00	HU	Trade Balance	May	EUR bn			0.16	-0.56
10:00	CZ	Foreign Exchange Reserves	Jun	USD bn			150.0	150.5
14:30	US	Initial Jobless Claims	May	thousand	1375		1314	1413
FRIDAY (10 July)								
03:45	FR	Industrial Production	May	%y/y	-26.2			-34.2
09:00	CZ	CPI	Jun	%y/y	2.9			2.9

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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