

11 August 2020

Eyeopener

Dollar remains weak

Quiet start of the week given lack of important macroeconomic data
 Stronger zloty, stable dollar
 Bonds gain following closely core markets
 Today German ZEW and Hungarian July inflation

On Monday equity markets continued gains (main indices up c.0.5%) amid lack of key data releases in Europe or USA. Amid secondary releases, July inflation in China was higher than expected. Moreover, China imposed sanctions on 11 US representatives in retaliation for a similar US restrictions imposed on Friday, motivated by Chinese engagement in Hong Kong. People affected by sanctions do not belong to Donald Trump's administration and so the issue did not have significant impact on the asset prices. The number of new job openings in the US (JOLTS) rose almost 10% m/m while a small decline was expected. Dollar strength did not change, bond yields in the core markets trimmed some of their Friday's increases, ending the day at 0.55% (UST) and -0.53% (Bund). Gold and silver returned to gains but did not manage to breach last week's peaks. Brent oil price rose c.2% after optimistic comment of Saudi Aramco president about oil demand.

EURUSD on Thursday was almost unchanged during European session (at 1.178), the volatility throughout the day was low – the daily range only at 0.3%. The direction for the dollar in the short term might be decided after nearest data releases: US producer prices (later today), consumer prices (tomorrow) as well as retail sales and industrial production data (Friday).

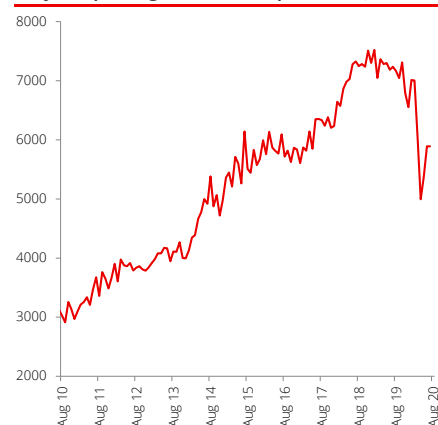
EURPLN on Monday broke the 4.40 level from above declining by 0.3% during whole day (to 4.3996). It is currently only slightly above the 200-day moving average which resides at 4.3905 and should be tested soon in our opinion. Weekly realized volatility is subdued near 3.3%, which constitutes just 2/3 of the long term EURPLN volatility, and if this low volatility situation persists, the implied volatilities might keep declining in prices in the days to come. A lot will depend on the direction of the dollar – stronger dollar might weaken the EM currencies and the zloty (USDPLN closed at 3.737 yesterday, opens at 3.75 today).

As regards **other CEE currencies**: the forint and the Czech koruna were outperforming the zloty against the euro. EURHUF fell by 0.4% to 345.0. 200-day moving average is not far below the current level (like in case of PLN), at 343.3 and the pair is likely to move in that direction. This morning July inflation reading in Hungary came in at 3.8% y/y, well above consensus at 3.1% y/y and compared to June data at 2.9% y/y. EURCZK fell by 0.5% and reached the 200-day moving average (26.2), so we are expecting the rate to move in a horizontal trend. USDRUB did not change much on Monday (79.4) even though oil prices went up.

On the domestic **interest rate market** bond yields at the short end of the curve and short-term IRS rates were quite stable, at low levels (0.11 and 0.21%). FRA9x12 closed at 0.13% (10bp below 3M WIBOR). Long end of the curve has been more dependent lately to core debt markets, and since the latter fell on Monday by 2-3bp, the Polish curve followed and 10Y yield closed at 1.27%.

Today GUS releases 2Q wage data covering national economy. The growth rate of corporate sector wages alone for this period was 2.2% y/y on average compared to 7.0% in 1Q>

US job openings, thousand persons (JOLTS)



Source: Bloomberg, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 22 534 18 87
Marcin Luźniński +48 22 534 18 85
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 19 23
Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4.3988	CZKPLN	0.1676
USDPLN	3.7456	HUFPLN*	1.2623
EURUSD	1.1742	RUBPLN	0.0511
CHFPLN	4.0922	NOKPLN	0.4151
GBPPLN	4.8966	DKKPLN	0.5906
USDCNY	6.9543	SEKPLN	0.4276

*for 100HUF

Last session in the FX market

10.08.2020

	min	max	open	close	fixing
EURPLN	4.396	4.414	4.411	4.399	4.402
USDPLN	3.730	3.753	3.743	3.742	3.739
EURUSD	1.174	1.180	1.179	1.175	-

Interest rate market

10.08.2020

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)	0.66	-4	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.27	-3	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	0	0.24	1	-0.47	-1
2L	0.21	-1	0.21	0	-0.43	-1
3L	0.28	-1	0.23	1	-0.43	-1
4L	0.39	-1	0.24	0	-0.42	-2
5L	0.49	-1	0.30	1	-0.40	-2
8L	0.73	-1	0.48	1	-0.32	-3
10L	0.84	1	0.59	2	-0.25	-3

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	0.27	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.20	-1
3x6	0.15	-1
6x9	0.14	-1
9x12	0.12	-1
3x9	0.19	-1
6x12	0.17	-2

Measures of fiscal risk

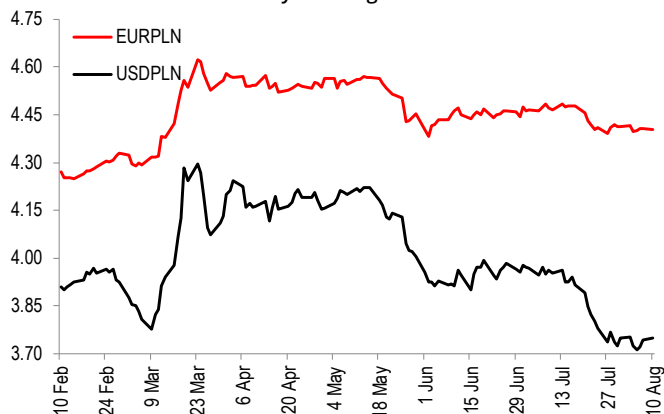
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	0	179	-1
France	10	0	29	0
Hungary	75	0	265	4
Spain	62	0	78	0
Italy	104	1	151	2
Portugal	38	0	81	0
Ireland	18	0	36	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

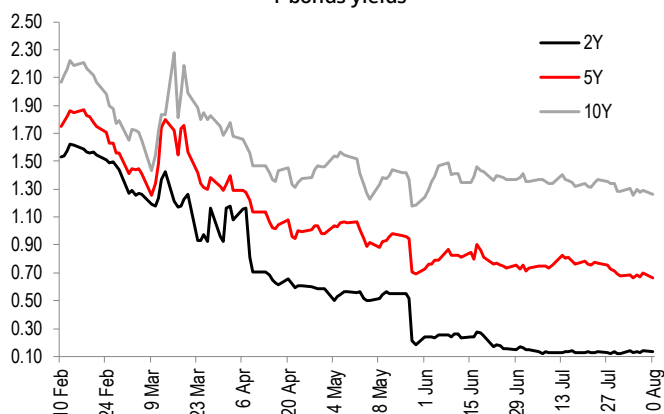
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

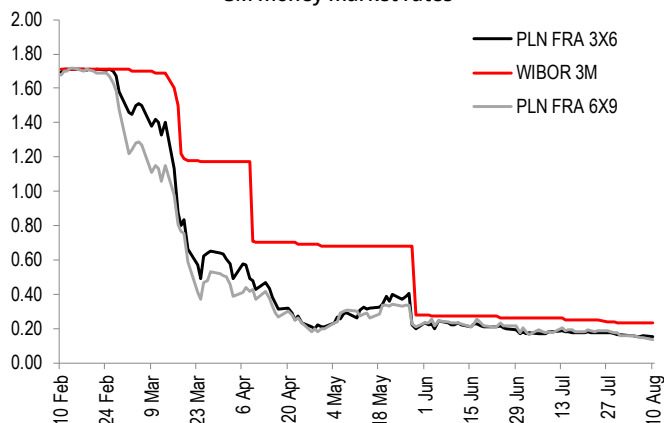
Zloty exchange rate



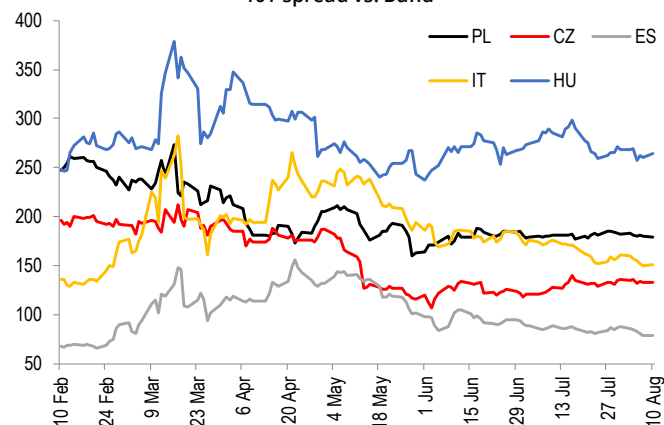
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
FRIDAY (7 August)								
08:00	DE	Exports	Jun	% m/m	14.4	-	14.9	9.0
08:00	DE	Industrial Production	Jun	% m/m	8.2	-	8.9	7.8
14:30	US	Change in Nonfarm Payrolls	Jul	k	1 480	-	1 763	4 791
14:30	US	Unemployment Rate	Jul	%	10.1	-	10.2	11.1
TUESDAY (11 August)								
09:00	HU	CPI	Jul	% y/y	3.3	-	3.8	2.9
11:00	DE	ZEW Survey Current Situation	Aug	pts	59.0	-		-59.3
WEDNESDAY (12 August)								
11:00	EZ	Industrial Production	Jun	% m/m	12.0	-		12.4
14:30	US	CPI	Jul	% m/m	0.3	-		0.6
THURSDAY (13 August)								
08:00	DE	HICP	Jul	% m/m	0.0	-		-0.5
09:00	CZ	CPI	Jul	% y/y	3.1	-		3.3
14:00	PL	Current Account Balance	Jun	€mn	2 074	1 766		2 455
14:00	PL	Trade Balance	Jun	€mn	1 148	1 059		1 250
14:00	PL	Exports	Jun	€mn	17 691	18 099		15 700
14:00	PL	Imports	Jun	€mn	16 474	17 040		14 450
14:30	US	Initial Jobless Claims	tyg.	k	1 400	-		1 186
FRIDAY (14 August)								
09:00	HU	GDP	2Q	% y/y	-	-		2.2
10:00	PL	CPI	Jul	% y/y	3.1	3.1		3.1
10:00	PL	GDP	2Q	% y/y	-9.0	-11.7		2.0
11:00	EZ	GDP	2Q	% y/y	-15.0	-		-15.0
14:30	US	Retail Sales Advance	Jul	% m/m	1.6	-		7.5
15:15	US	Industrial Production	Jul	% m/m	2.7	-		5.41
16:00	US	Michigan index	Aug	pts	71.0	-		72.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.