

3 September 2020

Eyeopener

Stronger dollar weighs on the zloty

Most US data above forecasts
MPC's Gnatnar favours rate normalization in 2021
EURPLN up amid stronger dollar
Polish and core bond yields down
Today services activity indexes

On Wednesday European stock indices soared 2% thanks to lower EURUSD, which fell partly due to stronger manufacturing ISM, and in reaction to ECB's Philip Lane comment that euro exchange rate is important, even though it is not a monetary policy target per se. The dollar index rose for the second day in a row (this time by 0.3%) and the scale of move since Tuesday reached 1%. EM currencies were weakening, together with gold and silver, while crude oil price remained stable. Bond yields in the core markets reached 0.68% for UST (unchanged) and -0.45% for Bund (-4bp). According to the ADP report, employment in US private sector rose 428k in August and was well below forecast (1 million). Meanwhile, new industrial orders and durable goods orders were better than expected.

MPC member Eugeniusz Gnatnar said there are numerous inflation factors in the CEE region and high growth rates of service prices, especially financial services are pushing core inflation higher. Gnatnar assured that the MPC is monitoring the inflation and will act if necessary. Gnatnar thinks that normalisation of interest rates should be considered in early 2021, should inflation remain elevated as the economy will be rebounding. Meanwhile **another central banker Eryk Łon** said that "press conferences are a base form of MPC communication with economic agents" and work to improve this tool could increase public trust in the NBP. Let us remind that the MPC suspended press conferences at the start of the epidemic in Poland and has not used this crucial for of communication for a half of year. Maybe Łon's statement is a suggestion that press conferences will be resumed this year. The upcoming MPC meeting was scheduled for 15 September

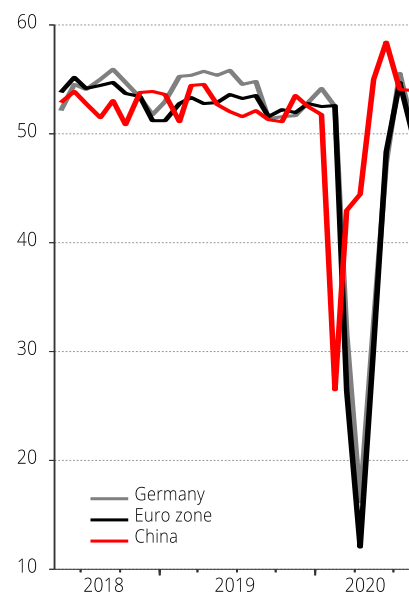
EURUSD declined on Wednesday by 0.6% to 1.183 and a 2-day move (from the local top at 1.20) equals 1.5%. Dollar gained despite worse than expected US labor market data (ADP employment) and awaiting the factory and durable orders data which turned out slightly better than expected. Today in the morning EURUSD opens near 1.180.

EURPLN followed depreciation of the other EM currencies and on Wednesday spiked up 0.7% to 4.418. The main factor behind the zloty weakness was the dollar strengthening. As we indicated many times, the possible correction of the many-weeks long EURUSD rise might result in the weaker zloty. If that happens EURPLN could near 4.46, in our opinion.

In the CEE region, the forint weakening trend which started in mid-August has continued – EURHUF increased by 0.6% to 357.8 (today in the morning opens at 358.7 already). The July PPI turned out higher than expected (3.4% y/y vs 3.1% y/y). We expect the continuation of EURHUF increases towards the 360.0 and above. EURCZK agined 0.5% to 26.35. There was a significant and abrupt spike in USDRUB - in our opinion this is just the beginning of the rouble weakening trend and we expect the currency pair to rise to 81.1 in 1Q21.

In the domestic interest rate market, FRA contracts went down, with 9x12 sliding to 22bp (-1bp) and 21x24 to 32bp (-4bp), with the latter still markedly above WIBOR3M (23bp). 2Y IRS also went down – by 2bp to 0.30% - while 2Y bond yield did not change much (0.12%). 5Y IRS went down to 0.68% (-4bp) and 10Y do 1.10% (-5bp). A similar scale of move was observed on the bond market. 10Y asset swap spread amounted to 28bp at the end of the day. Spread to Bund widened to 184bp due to more significant bond yield declines in Germany. Bond switching tender will be held today.

Services PMIs



Source: Refinitiv Datastream, Santander Bank Polska

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 Łuziński +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	4,4181	CZKPLN	0,1675
USDPLN	3,7444	HUFPLN*	1,2218
EURUSD	1,1799	RUBPLN	0,0496
CHFPLN	4,1009	NOKPLN	0,4202
GBPPLN	4,9748	DKKPLN	0,5938
USDCNY	6,8395	SEKPLN	0,4272

*for 100HUF

Last session in the FX market

02.09.2020

	min	max	open	close	fixing
EURPLN	4,383	4,420	4,384	4,418	4,410
USDPLN	3,680	3,738	3,683	3,731	3,719
EURUSD	1,182	1,191	1,191	1,184	-

Interest rate market 02.09.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0,14	-1
PS0425 (5Y)	0,73	-2
DS1030 (10Y)	1,38	0

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0,21	0,24	-0,50
2L	0,30	0,22	-0,46
3L	0,39	0,24	-0,46
4L	0,53	0,27	-0,44
5L	0,67	0,32	-0,41
8L	0,96	0,53	-0,29
10L	1,08	0,66	-0,20

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	0,23	0
3x6	0,21	0
6x9	0,20	-1
9x12	0,21	-1
3x9	0,25	-2
6x12	0,24	-3

Measures of fiscal risk

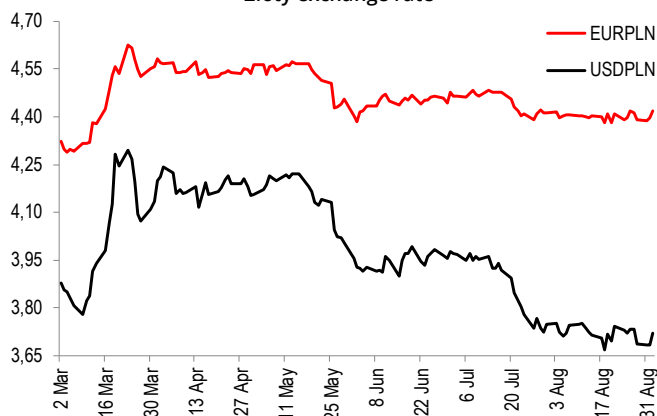
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	58	186
France	10	29
Hungary	65	285
Spain	54	81
Italy	93	151
Portugal	36	83
Ireland	18	36
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

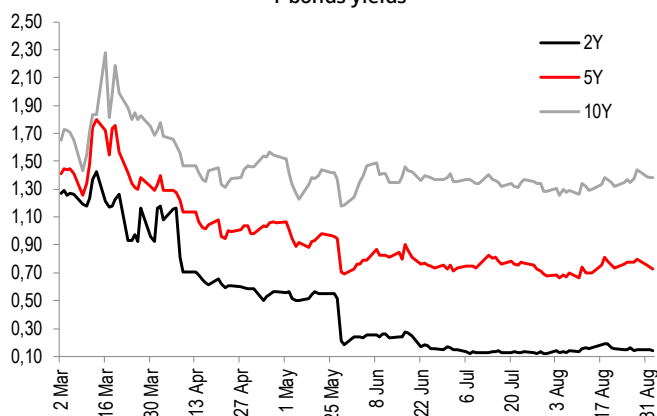
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

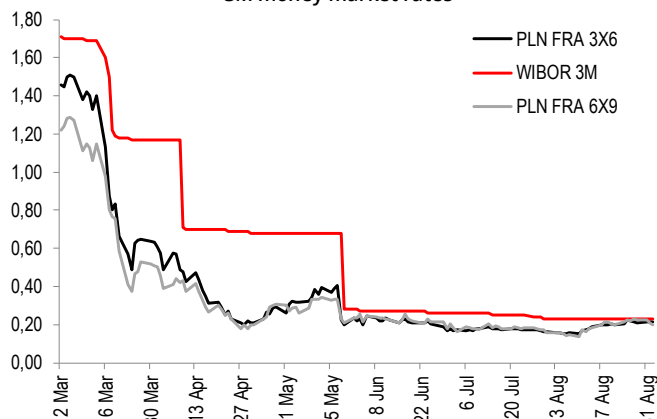
Zloty exchange rate



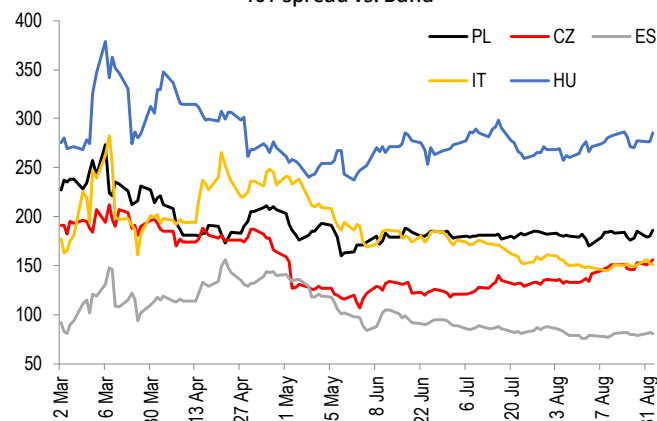
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (28 August)								
11:00	EZ	ESI	Aug	pct.	85.0	-	87.7	82.3
14:30	US	Personal Spending	Jul	% m/m	1.6	-	1.9	6.2
14:30	US	Personal Income	Jul	% m/m	-0.2	-	0.4	-1.0
14:30	US	PCE Deflator SA	Jul	% m/m	0.4	-	0.3	0.5
16:00	US	Michigan index	Aug	pts	72.8	-	74.1	72.8
MONDAY (31 August)								
10:00	PL	GDP	2Q	% y/y	-8.2	-8.2	-8.2	-8.2
10:00	PL	Private consumption	2Q	% y/y	-10.0	-8.0	-10.9	1.2
10:00	PL	Investments	2Q	% y/y	-12.0	-12.0	-10.9	0.9
14:00	DE	HICP	Aug	% m/m	0.0	-	-0.2	-0.5
TUESDAY (1 September)								
09:00	CZ	GDP SA	2Q	% y/y	-10.7	-	-11.0	-10.7
09:00	PL	Poland Manufacturing PMI	Aug	pts	52.9	53.0	50.6	52.8
09:00	HU	GDP	2Q	% y/y	-13.6	-	-13.6	-13.6
09:55	DE	Germany Manufacturing PMI	Aug	pts	53.0	-	52.2	53.0
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	51.7	-	51.7	51.7
10:00	PL	CPI	Aug	% y/y	3.0	3.0	2.9	3.0
11:00	EZ	Flash HICP	Aug	% y/y	0.2	-	-0.2	0.4
11:00	EZ	Unemployment Rate	Jul	%	8.0	-	7.9	7.8
16:00	US	ISM manufacturing	Aug	pts	54.3	-	56.0	54.2
WEDNESDAY (2 September)								
08:00	DE	Retail Sales	Jul	% m/m	0.5	-	-0.9	-1.9
14:15	US	ADP report	Aug	k	1000	-	428	121
16:00	US	Durable Goods Orders	Jul	% m/m	11.2	-	11.4	11.2
16:00	US	Factory Orders	Jul	% m/m	6.1	-	6.4	6.2
21:45	CN	Caixin China PMI Services	Aug	pts	54.0	-	54.0	54.1
THURSDAY (3 September)								
09:55	DE	Markit Germany Services PMI	Aug	pts	50.8	-		50.8
10:00	EZ	Eurozone Services PMI	Aug	pts	50.1	-		50.1
11:00	EZ	Retail Sales	Jul	% m/m	1.0	-		5.7
14:30	US	Initial Jobless Claims	week	k	1 000	-		1 006
16:00	US	ISM services	Aug	pts	57.2	-		58.1
FRIDAY (4 September)								
08:00	DE	Factory Orders	Jul	% m/m	6.0	-		27.9
09:00	HU	Industrial Production SA	Jul	% y/y	-9.5	-		-12.19
14:30	US	Change in Nonfarm Payrolls	Aug	k	1 518	-		1 763
14:30	US	Unemployment Rate	Aug	%	9.8	-		10.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

** estimate after CPI inflation data

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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>.