

8 September 2020

Eyeopener

Brexit issue is back

Start of the week in positive moods
 United Kingdom will not negotiate the trade deal after 15 October
 Zloty trimmed its losses, EURUSD stable
 Polish bonds with no major changes
 Today euro zone GDP

The start of the week saw a slight rebound after the sharp deterioration of sentiment that took place before the weekend in reaction to falling US stock prices. On Monday the US market was closed while in Europe stock indices were trimming losses, which had a positive influence on the zloty; other CEE currencies remained at weakened levels.

In case of developed markets' currencies, the British pound was the most volatile, as it depreciated against the euro and the dollar under the influence of British government's signals that the UK government wants to negotiate the **free trade deal with the EU** no longer than until October 15. Transition period ends on December 31 and in case of no deal the trade between UK and UE will base on WTO rules (with duties). There were also news that the UK wants to change the already made agreement regarding the Northern Ireland (for example, lack of controls on the border). Yields of core market bonds increased slightly, but CEE debt remained quite stable.

MPC member Rafał Sura said that the looming inflation decrease and the need to support the economy's recovery from recession supports the scenario of stable interest rates. He also stressed that the inflationary trends should be analysed with caution. Meanwhile, Eryk Łon said that the baseline scenario assumes stable interest rates until the end of this MPC's term of office, but he did not rule out submitting a rate cut motion if the risk of consumer moods' deterioration appears.

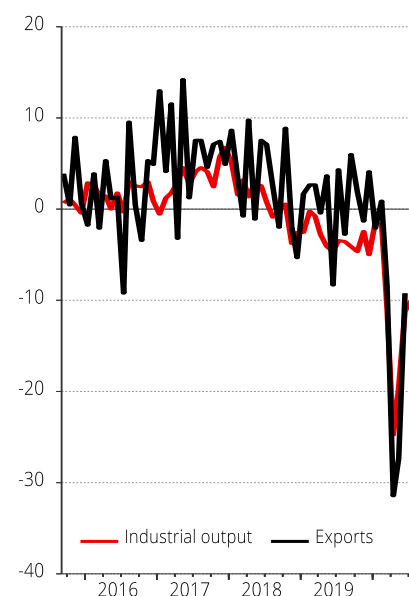
EURUSD recorded a very calm session yesterday, hovering in a narrow band around 1.182 and remaining in the range determined by Friday's high and low. The reason behind the smaller moves was the absence of US investors and lack of key data releases. Today the US market reopens, but there will be little new as regards the data. Thus, we think that low volatility may last until Thursday, when the ECB meeting ends.

EURPLN neutralised more than a half of the rise seen during the last session of the last week and at the end of the day was close to 4.44 vs Friday's peak at 4.47. USDPLN ended the session around the Friday's closing at c3.76. Last week, EURPLN neared the resistance at c4.48 that has prevented the exchange rate from rising in July and we think this level could work this time as well.

Among the other CEE currencies, the forint was the most stable hovering near 360 per euro, close to the Friday's close. The koruna and the ruble were under pressure since the beginning of the session and both EURCZK and USDRUB broke last week's peaks. At the end of the day, the Czech koruna pared nearly all losses and the ruble less than a half. The morning Czech data showed smaller drop of industrial output in July.

On the domestic interest rate market the start of the week saw mixed changes with IRS and yields not deviating more than 2bp from the Friday's close. The Polish market was calmer than the German where the Bund yield started the day 4bp above the last week's close and was falling slowly later on (to -0.46%, -2bp vs the opening). The 10Y PL-DE bond yield spread fell for the first time after the last four sessions. According to the deputy finance minister Piotr Patkowski, in 2020 Poland will issue PLN260bn of debt dedicated to fighting the impact of COVID-19 pandemic.

German output and exports (% y/y)



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.4319	CZKPLN	0.1670
USDPLN	3.7502	HUFPLN*	1.2325
EURUSD	1.1820	RUBPLN	0.0495
CHFPLN	4.0881	NOKPLN	0.4197
GBPPLN	4.9282	DKKPLN	0.5957
USDCNY	6.8294	SEKPLN	0.4275

*for 100HUF

Last session in the FX market

07.09.2020

	min	max	open	close	fixing
EURPLN	4.434	4.465	4.453	4.436	4.457
USDPLN	3.749	3.777	3.763	3.753	3.767
EURUSD	1.181	1.185	1.183	1.182	-

Interest rate market 07.09.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.14	3
PS0425 (5Y)	0.74	1
DS1030 (10Y)	1.40	0

IRS on the interbank market**

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.20	-1	0.23	0	-0.50	1
2L	0.27	-2	0.22	-1	-0.47	0
3L	0.36	-1	0.24	0	-0.46	0
4L	0.50	0	0.29	0	-0.44	-2
5L	0.64	1	0.36	0	-0.41	-1
8L	0.94	1	0.59	1	-0.29	-1
10L	1.08	0	0.70	0	-0.19	0

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.09	-1
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	0.22	0
3x6	0.18	-1
6x9	0.18	-1
9x12	0.18	-1
3x9	0.23	0
6x12	0.23	-3

Measures of fiscal risk

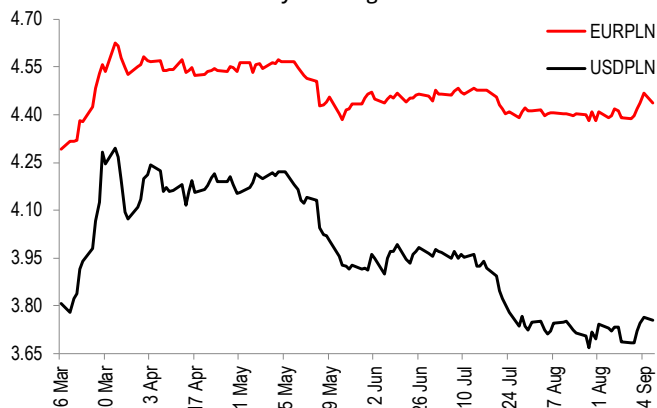
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	56	-1	186	-2
France	10	0	30	0
Hungary	61	-1	288	-1
Spain	54	1	82	-1
Italy	95	1	158	2
Portugal	36	0	85	-1
Ireland	17	0	37	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

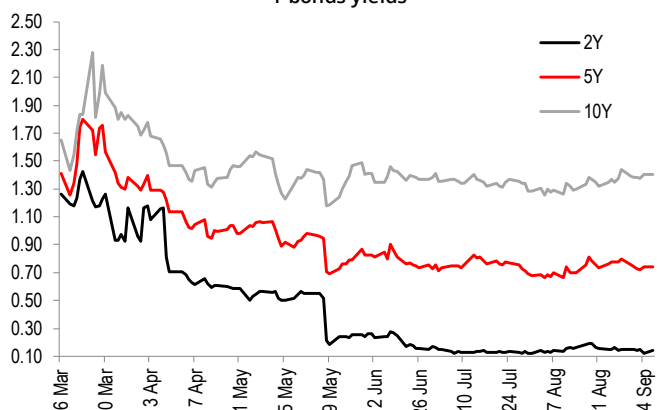
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

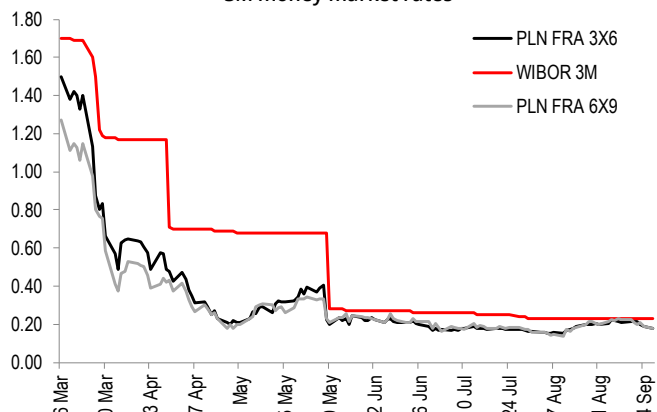
Zloty exchange rate



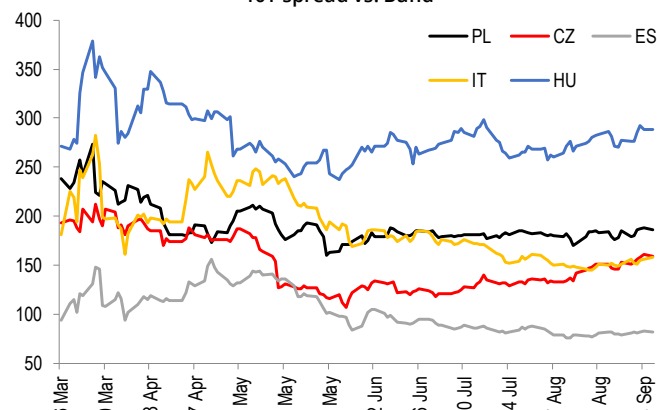
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar								
TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (4 September)								
08:00	DE	Factory Orders	Jul	% m/m	5.0	-	2.8	27.9
09:00	HU	Industrial Production SA	Jul	% y/y	-7.7	-	-7.7	-12.2
14:30	US	Change in Nonfarm Payrolls	Aug	k	1 400	-	1 371	1 734
14:30	US	Unemployment Rate	Aug	%	9.8	-	8.4	10.2
MONDAY (7 September)								
08:00	DE	Industrial Production SA	Jul	% m/m	4.2	-	1.2	8.9
09:00	CZ	Industrial Production	Jul	% y/y	-6.7	-	-4.9	-5.6
TUESDAY (8 September)								
08:00	DE	Exports SA	Jul	% m/m	5.0	-	4.7	14.9
11:00	EZ	GDP SA	2Q	% y/y	-15.0	-		-15.0
WEDNESDAY (9 September)								
09:00	HU	CPI	Aug	% y/y	3.9	-		3.8
THURSDAY (10 September)								
09:00	CZ	CPI	Aug	% y/y	3.3	-		3.4
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:30	US	Initial Jobless Claims	week	k	950	-		881
FRIDAY (11 September)								
	PL	Rating review by Moody's						
08:00	DE	HICP	Aug	% m/m	-0.2	-		-0.2
14:30	US	CPI	Aug	% m/m	0.3	-		0.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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