

9 September 2020

Eyeopener

Selloff in US tech stocks worsens global moods

Risk aversion returns

Zloty weakens under influence of stronger dollar

Polish bonds gained, but less than Bund

Today Hungarian inflation

Monday's rebound after the deterioration of sentiment at the end of last week proved to be only temporary. As US investors returned, the market moods worsened again. Demand for higher-risk assets has been lowered by the selloff of US technology stocks (which have rallied shortly before) and another unfriendly comment of US president against China. Donald Trump said that he wanted to limit the economic relations with this country. Moreover, the risk of no-deal Brexit is still weighing on the market after the recent comment of UK prime minister. As a result, equity indices in Europe fell, which in turn supported core markets bonds. Gold and oil prices were going down yesterday, which could have been related to dollar strengthening. Since early September Brent oil price fell already by 12% (from 45.5 to c.40 \$/barrel).

According to **labour minister Marlena Maląg**, the registered unemployment rate will rise slightly in September. We expect to see 6.2% vs 6.1% in August.

According to state Social Security Fund (ZUS), the **number of nonresidents registered for social insurance** rose in August by 30.5k m/m to 658k. This year, the lowest number of registrations was reported in June (605k), the highest in February (670k). This rise of this number is in line with the economic activity normalization trend observed in Poland.

Fitch rating agency revised its 2020 GDP forecast for Poland to -3.5% from -3.2% forecasted in June. In our recent report **MACROscope Lite** we have revised our forecast up to -3% from -3.8% expected in July. When compared to Fitch estimates, we are less pessimistic as regards private consumption (-4% vs -5%) but more in case of investments (-7.6% vs -4%). For 2021, Fitch forecasts GDP will grow 4.5% (close to our 4.8% call).

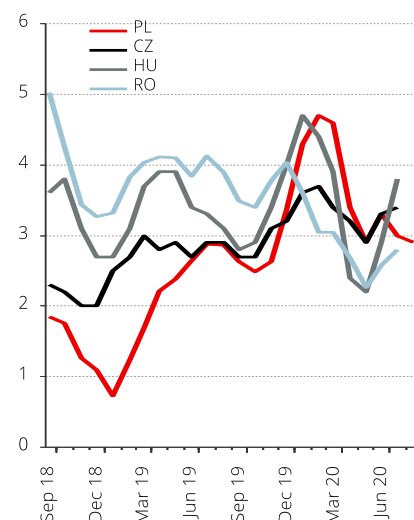
EURUSD fell to its new September's low at c1.176 owing to the deterioration of the market sentiment. In a broader perspective, the exchange rate is still holding the range observed since August. No important data are scheduled for today so the dollar appreciation could slow a bit one day before the ECB meeting.

EURPLN rose to 4.45 from 4.43 amid falling equity indexes and stronger dollar. USDPLN rebounded to 3.78 from 3.75. So far this week, EURPLN is holding in the range determined by the Friday's low (4.425) and high (4.47) and we think this could be the case also today.

The **other CEE currencies** were trading similarly but in mid-day the forint managed to recover all of the earlier losses and EURHUF plummeted to 358 from above 361. EURCZK rose but stayed below the Monday's peak while USDRUB accelerated its increase amid stronger dollar and lower oil price. At the end of the day, the exchange rate was above 76.3 vs 75.5 at the opening.

On the **domestic interest rate market** IRS and bond yields fell in most cases thanks to strengthening observed abroad. Polish curves moved 1-3bp down. After the yields and IRS upside move seen in August, in September we observe a correction. So far, the upside move has been neutralized mostly on the belly (50-60%), while on the long end yields retraced much less than 40%. On Tuesday, the 10Y PL-DE bond yield spread widened slightly by a yet another 1bp. Polish curves become more and more steep – the bond 2-10 spread is at its highest since April 2019, and IRS since November 2018.

CPI inflation in CEE region (% y/y)



Source: Refinitiv Datastream, 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 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	4.4516	CZKPLN	0.1676
USDPLN	3.7830	HUFPLN*	1.2278
EURUSD	1.1769	RUBPLN	0.0496
CHFPLN	4.1177	NOKPLN	0.4132
GBPPLN	4.8965	DKKPLN	0.5983
USDCNY	6.8500	SEKPLN	0.4278

*for 100HUF

Last session in the FX market

08.09.2020

	min	max	open	close	fixing
EURPLN	4.432	4.457	4.433	4.456	4.446
USDPLN	3.749	3.783	3.754	3.781	3.765
EURUSD	1.176	1.183	1.181	1.179	-

Interest rate market

08.09.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.13	-2
PS0425 (5Y)	0.73	-2
DS1030 (10Y)	1.40	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.19	-1	0.24	1	-0.50	0
2L	0.26	-1	0.23	1	-0.47	0
3L	0.35	-1	0.23	-1	-0.47	-1
4L	0.49	-1	0.27	-2	-0.45	0
5L	0.63	-1	0.33	-3	-0.42	-1
8L	0.93	-1	0.54	-4	-0.31	-2
10L	1.06	-1	0.67	-3	-0.22	-3

WIBOR rates

Term	%	Change (bps)
O/N	0.09	0
T/N	0.09	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	0.22	0
3x6	0.20	2
6x9	0.17	-1
9x12	0.16	-2
3x9	0.23	1
6x12	0.21	-1

Measures of fiscal risk

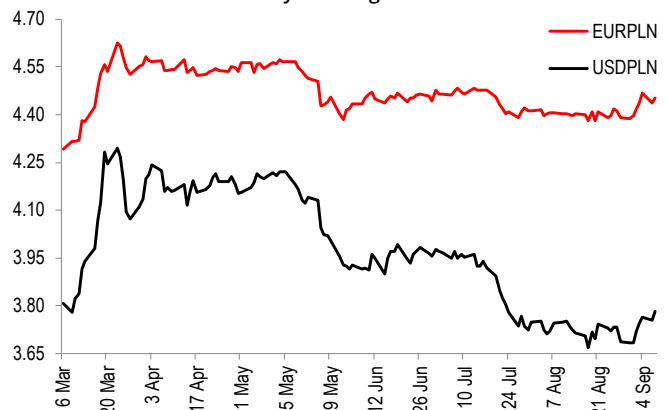
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	55	-1	186	-2
France	10	0	30	0
Hungary	61	-1	288	-1
Spain	56	1	82	-1
Italy	96	1	158	2
Portugal	36	0	85	-1
Ireland	17	0	37	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

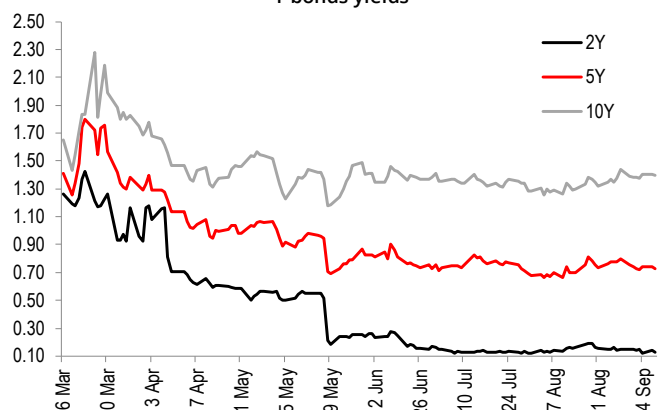
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

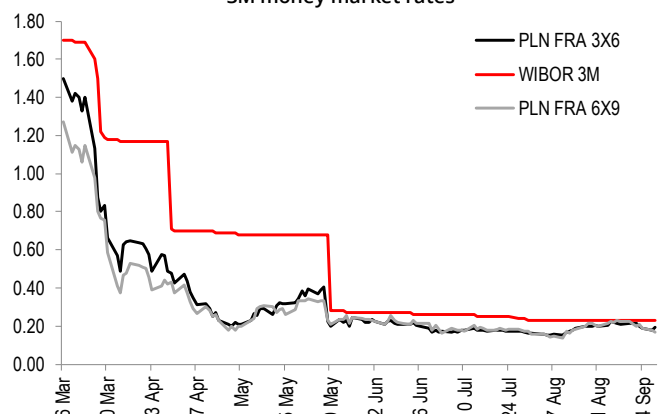
Zloty exchange rate



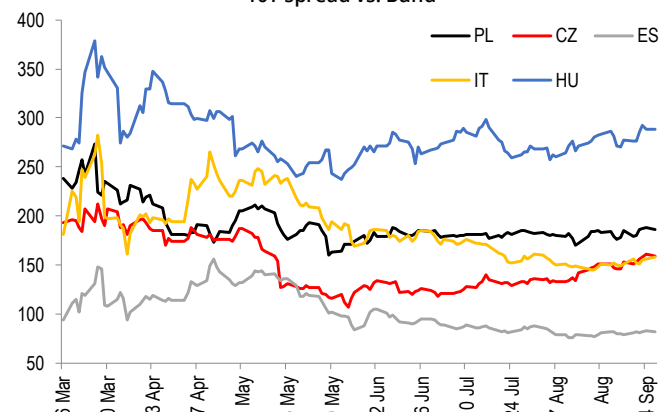
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

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	-	-14.7	-3.2
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

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.