

11 September 2020

# Eyeopener

## ECB cautiously optimistic

Euro stronger after ECB meeting  
Zloty did not benefit from weaker dollar  
Polish bonds kept on gaining  
Today US inflation and possible Moody's rating review

The main event of the Thursday's session was the decision and press conference after **the ECB meeting**. Just like expected, the interest rates were left unchanged, the parameters of the support programs were also unaltered. In the post-meeting statement, the bank acknowledged fast improvement of the economic activity since restrictions have been removed but repeated that the balance of risks is still tilted to the downside. Governor Lagarde said that the accommodative monetary policy should be continued given the current circumstances. She added that the ECB is ready to take further action if needed. The central bank presented updated GDP and inflation forecasts. GDP is not expected to contract less than forecasted in June while estimates for 2021 and 2022 changed only slightly. The new inflation estimates do not differ much from the previous ones. Governor Lagarde said that the exchange rate issue has been discussed but only from the perspective how stronger currency affects inflation. She underlined that the ECB follows trends on the FX market but the exchange rate is not a target for the monetary policy. Overall, in line with the unofficial news that emerged on Wednesday, the outcome of the September ECB meeting has not been that dovish as one might have expected.

According to the GUS report "**Labour demand**", at the end of June, 10.2% of workers were working remotely vs 11.0% at the end of March. The care allowance was paid to 2.1% of workers (vs 2.3% in March). In 2Q20, 81.9k of the new workplaces were created (vs 146.8k in 2Q19), the least since 4Q12. 93.6k of workplaces were destroyed (vs 81.9k in 2Q19) and the number of job destructions was larger than creations for the first since 4Q12. Pandemic has affected noticeably mainly the job creation. We think that in 3Q the situation could improve but we do not expect imminent return to the pre-crisis level.

**General government debt** rose in 2Q20 to 55.3% of GDP from 47.9% in 1Q20. In nominal terms, debt rose by PLN158.6bn, mainly owing to bond issuances by the Polish Development Fund (PLN62bn) and state-owned BGK bank (PLN42.6bn). By the end of the year, the debt may rise above 60% of GDP.

**EURUSD** jumped to 1.19 from 1.18 in reaction to the ECB statement and at the end of the day was close to the session peak. In the last two days, the euro recovered more than half of the losses suffered earlier in September. The exchange rate rebounded from the lower end of consolidation and now further rise towards its multi-month peak at 1.20 looks more likely.

**EURPLN** only temporarily benefited from EURUSD rise. After the morning rise to 4.455 there was a correction to 4.445 but at the end of the day the exchange rate was back close to the session peak. USDPLN fell to 3.735 from 3.77 and closed at 3.75. Although in case of the other currencies (both CEE and of developed countries) we saw some rise of volatility, EURPLN remains pretty stable between the last Friday's peak and low. We expect calm trading at the end of the week and if there is any comment from Moody's at the session close it should be rather market-neutral.

Among the **other CEE currencies**, the ruble outperformed again as it benefited the most from the dollar weakening. As a result, USDRUB fell to 74.74 from 75.75. EURHUF was hovering around 357 for the second day in a row. In the first part of the day, the forint depreciated in reaction to words of deputy head of the central bank who said that the Hungarian economy may recover slower from the crisis than initially expected. The Czech koruna underperformed again and EURCZK rose to 26.58, new September peak. The koruna could have been pressured by inflation data showing that in August CPI remained above the central bank's tolerance band.

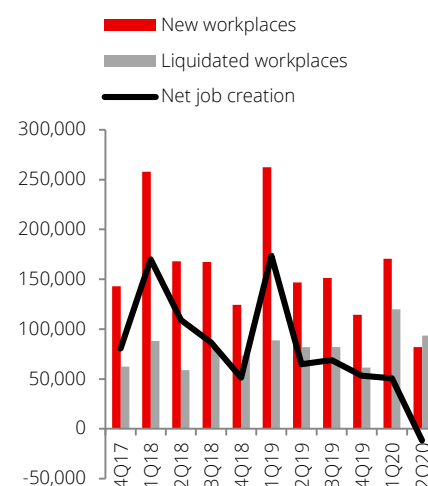
In the **domestic interest rate market** the 5Y and 10Y benchmark yields fell 2bp despite weakening on the core market in response to the ECB rhetoric. IRS rose 1bp. The 10Y PL-DE bond yield spread narrowed 4bp to the new weekly low at 181bp. Today, likely at the end of the Polish session, Moody's could release its review of the Polish rating. We do not expect any changes to be announced so the end of the week should not bring any noticeable changes on the market.

### ECB forecasts

	GDP			HICP		
	2020	2021	2022	2020	2021	2022
September	-8.0	5.0	3.2	0.3	1.0	1.3
June	-8.7	5.2	3.3	0.3	0.8	1.3

Source: ECB, Santander Bank Polska

### Demand for labour force in Poland



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.4488	CZKPLN	0.1671
USDPLN	3.7596	HUFPLN*	1.2337
EURUSD	1.1835	RUBPLN	0.0501
CHFPLN	4.1288	NOKPLN	0.4160
GBPPLN	4.8178	DKKPLN	0.5980
USDCNY	6.8368	SEKPLN	0.4293

\*for 100HUF

### Last session in the FX market

10.09.2020

	min	max	open	close	fixing
EURPLN	4.436	4.460	4.445	4.453	4.450
USDPLN	3.732	3.768	3.760	3.749	3.761
EURUSD	1.181	1.192	1.182	1.188	-

## Interest rate market 10.09.2020

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.11	4
PS0425 (5Y)	0.72	-1
DS1030 (10Y)	1.39	0

### IRS on the interbank market\*\*

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.20	0.24	-0.50
2L	0.27	0.21	-0.45
3L	0.36	0.23	-0.44
4L	0.49	0.27	-0.42
5L	0.63	0.33	-0.39
8L	0.94	0.55	-0.27
10L	1.07	0.68	-0.17

## WIBOR rates

Term	%	Change (bps)
O/N	0.08	0
T/N	0.09	0
SW	0.12	0
2W	0.17	0
1M	0.20	0
3M	0.23	0
6M	0.26	0
1Y	0.27	0

## FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	0.22	0
3x6	0.18	-2
6x9	0.18	0
9x12	0.19	1
3x9	0.24	1
6x12	0.22	1

## Measures of fiscal risk

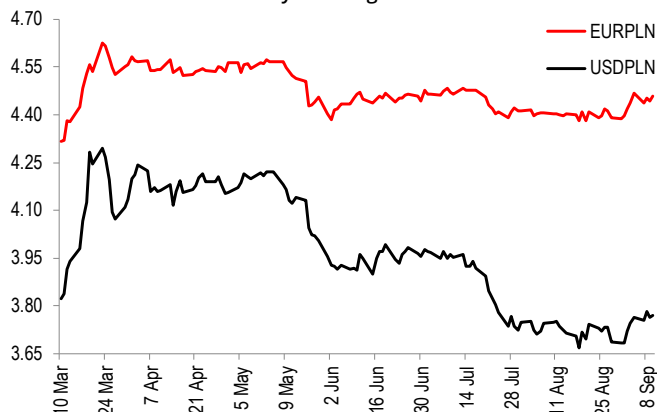
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	56	182
France	10	29
Hungary	61	294
Spain	54	78
Italy	92	150
Portugal	36	80
Ireland	16	37
Germany	6	-

\* 10Y treasury bonds over 10Y Bunds

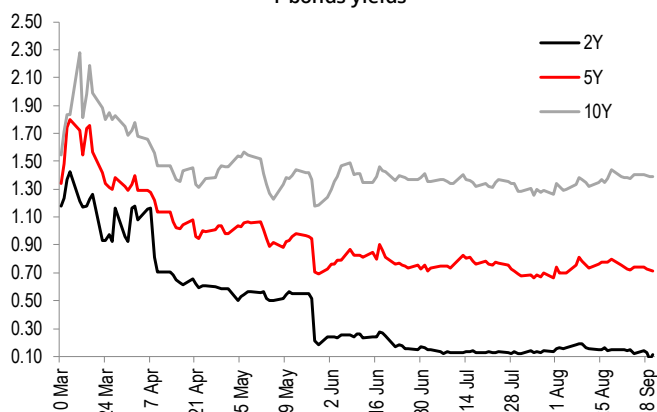
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

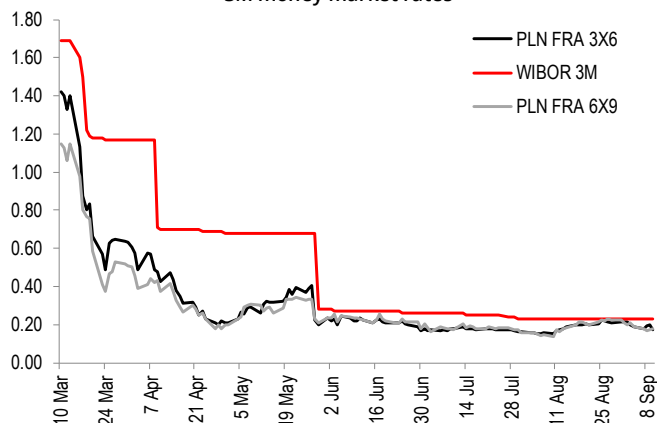
## Zloty exchange rate



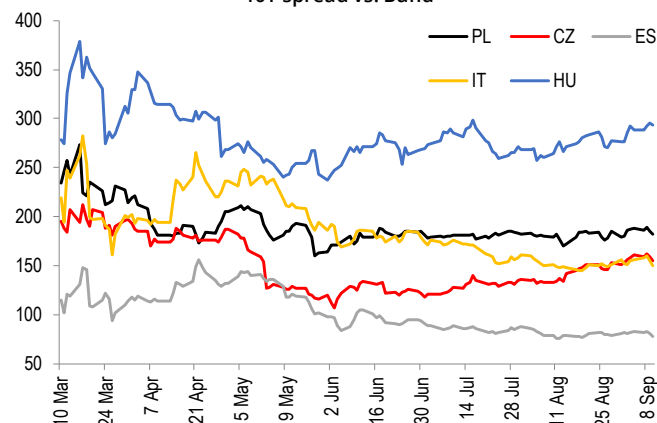
## T-bonds yields



## 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	-	-14.7	-3.2
WEDNESDAY (9 September)								
09:00	HU	CPI	Aug	% y/y	3.9	-	3.9	3.8
THURSDAY (10 September)								
09:00	CZ	CPI	Aug	% y/y	3.3	-	3.3	3.4
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0	0.0
14:30	US	Initial Jobless Claims	week	k	850	-	884	884
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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