15 September 2020

Eyeopener

MPC meeting and CPI data today

Rebound of US equities, stabilisation in Europe
C/A surplus worse than expected on stronger imports
Zloty stable, EURUSD a bit higher
Little movement on debt markets
Today Polish MPC decision, CPI data, US industrial production

On Monday the European equity market was in a slightly positive mood while in the US stock indexes rebounded noticeably (S&P500 up by more than 1.6%) after a several poor sessions. VIX index fell below 21 for the first time this month while the core bonds remained fairly stable. On the FX market, the dollar lost and the euro gained but this did not help the CEE currencies to appreciate. Political resistance in the UK against the PM's plans to act against the negotiated deal with the EU helped the pound to appreciate slightly after a substantial losses suffered in the previous week.

July **current account balance** reached EUR1.6bn, in line with our forecast (EUR1.6bn) and below market consensus (EUR2.8bn). Trade balance was lower than expected, with import surprising to the upside after a decline by 3.9% y/y (from -10.7% y/y in June). Exports added 2.7% y/y, more or less unchanged versus June (3.0% y/y). Trade in services also recorded a major revival in July with exports falling by 7.3% y/y and imports by 9.4% y/y versus about -30% to -40% in the preceding months. Apparently, this rebound was driven mostly by improving situation in travels abroad and transport. 12m current account balance improved to 2.7% of GDP from 2.3% in June, but we are expecting the pace of improvement to slow in the months to come amid recovering imports.

EURUSD was on the rise on Monday from c1.185 to 1.188 fueled by the moderate optimism on the equity market. The euro zone industrial output data confirmed further recovery after the spring collapse and were close to the expectations. The nearing FOMC meeting (tomorrow) should stabilize the exchange rate at today's session.

On Monday **EURPLN** was oscillating around 4.45, similarly as on Friday, while USDPLN fell by 0.01. As regards **other CEE currencies**, the forint was also stable versus the euro on daily chart (357) with a temporary move to 358. The Czech koruna depreciated by 0.3%, probably due to rising numbers of Covid-19 infections, which could lead to further restrictions.

On the **interest rate market** Monday trade brought no major changes on the core markets or in Poland despite the generally positive mood among investors. Yields of 10Y UST remained at Friday level, while Bund was slightly below previous session's level with daily minimum at -0.50% and close at -0.48%. Impulse for such a stable market could come from the Wednesday Fed.

Today the next one-day MPC meeting takes place, again probably not followed by the press conference (there was no official confirmation, we conclude from the previous months). It is broadly expected that the interest rates will be left unchanged. We assume the tone of the statement will be similar to the previous ones. While after the recent data is became even more clear that the July central bank's projections were too pessimistic, the majority of the Council's members including governor Glapiński still supports the long-lasting stability of the interest rates, perhaps even until the end of the term. Rates stabilization would be supported by the disinflation that could intensity in the coming months, in our view.

Exports and imports of goods, EUR, % y/y

Source: NBP, 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 Luziński +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	4.4388	CZKPLN	0.1651
USDPLN	3.7303	HUFPLN*	1.2322
EURUSD	1.1897	RUBPLN	0.0497
CHFPLN	4.1334	NOKPLN	0.4159
GBPPLN	4.7995	DKKPLN	0.5971
USDCNY	6.7811	SEKPLN	0.4267

*for 100HUF

Last session in the FX market 14/09/2020

	min	max	open	close	fixing
EURPLN	4.440	4.453	4.444	4.445	4.449
USDPLN	3.740	3.758	3.751	3.744	3.752
EURUSD	1.184	1.189	1.185	1.187	-

Interest rate market 14/09/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.10	-1
PS0425 (5Y)	0.71	-1
DS1030 (10Y)	1.37	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.20	0	0.23	0	-0.50	0
2L	0.26	-1	0.21	0	-0.47	-1
3L	0.35	-1	0.23	1	-0.46	0
4L	0.49	-1	0.26	0	-0.44	0
5L	0.62	-2	0.32	1	-0.42	-1
8L	0.93	-2	0.54	0	-0.30	0
10L	1.07	-2	0.67	1	-0.21	0

WIBOR rates

Term	%	Change (bps)
O/N	0.09	0
T/N	0.09	-1
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	0.21	0
3x6	0.19	-1
6x9	0.19	-1
9x12	0.19	-1
3x9	0.22	-1
6x12	0.23	0

Measures of fiscal risk

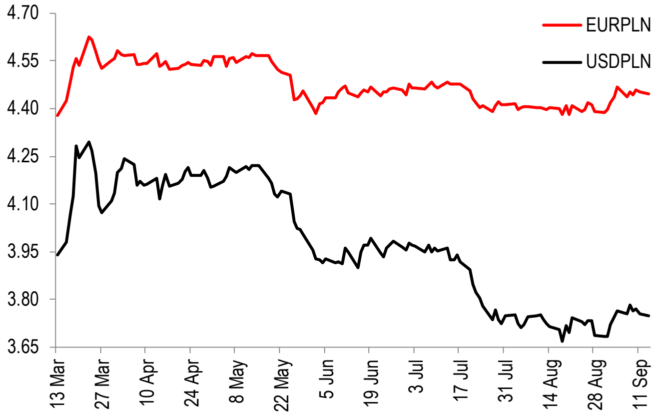
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	56	0	184	-1
France	10	0	28	-1
Hungary	63	2	290	-10
Spain	54	0	76	-3
Italy	94	0	150	-3
Portugal	36	0	79	-3
Ireland	16	0	40	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

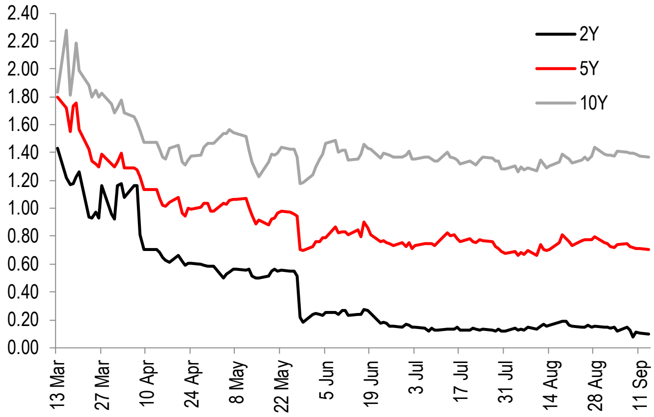
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

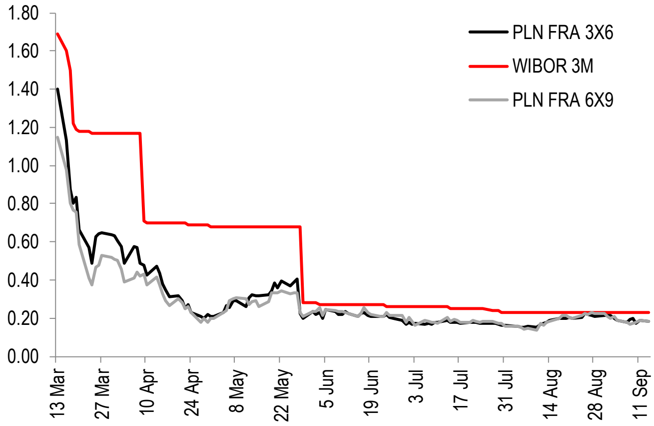
Zloty exchange rate



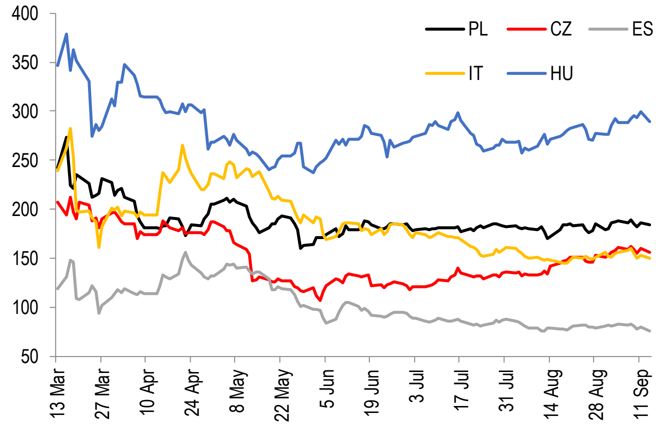
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (11 September)					
	PL	**Rating review by Moody's**						
08:00	DE	HICP	Aug	% m/m	-0.2	-	-0.2	-0.2
14:30	US	CPI	Aug	% m/m	0.3	-	0.4	0.6
			MONDAY (14 September)					
11:00	EZ	Industrial Production SA	Jul	% m/m	4.2	-	4.1	9.5
14:00	**PL**	**Current Account Balance**	**Jul**	**€mn**	**2 777**	**1 573**	**1 620**	**2 842**
14:00	**PL**	**Trade Balance**	**Jul**	**€mn**	**2 134**	**1 642**	**998**	**2 666**
14:00	**PL**	**Exports**	**Jul**	**€mn**	**19 830**	**19 487**	**19 563**	**18 689**
14:00	**PL**	**Imports**	**Jul**	**€mn**	**17 291**	**17 845**	**18 565**	**16 023**
			TUESDAY (15 September)					
	PL	**MPC decision**		**%**	**0.10**	**0.10**		**0.10**
10:00	**PL**	**CPI**	**Aug**	**% y/y**	**2.9**	**2.9**		**2.9**
11:00	DE	ZEW Survey Current Situation	Sep	pts	-72.5	-		-81.3
15:15	US	Industrial Production	Aug	% m/m	1.0	-		3.03
			WEDNESDAY (16 September)					
14:00	**PL**	**CPI Core**	**Aug**	**% y/y**	**4.1**	**4.1**		**4.3**
14:30	US	Retail Sales Advance	Aug	% m/m	1.0	-		1.2
20:00	US	FOMC decision		%	0.25	-		0.25
			THURSDAY (17 September)					
10:00	**PL**	**Employment in corporate sector**	**Aug**	**% y/y**	**-1.35**	**-1.6**		**-2.3**
10:00	**PL**	**Average Gross Wages**	**Aug**	**% y/y**	**4.1**	**4.1**		**3.8**
11:00	EZ	HICP	Aug	% y/y	-0.2	-		-0.2
14:30	US	Initial jobless claims	week	k	-	-		884
14:30	US	Building permits	Aug	k	1 530	-		1 483
14:30	US	House starts	Aug	k	1 450	-		1496
14:30	US	Philly Fed index	Sep	pts	15.0	-		17.2
			FRIDAY (18 September)					
10:00	**PL**	**Industrial output**	**Aug**	**% y/y**	**3.4**	**2.9**		**1.1**
10:00	**PL**	**PPI**	**Aug**	**% y/y**	**-1.0**	**-1.2**		**-0.6**
16:00	US	Flash Michigan index	Sep	pts	76.0	-		74.1

Source: Santander Bank Polska, Bloomberg, Parkiet
** in the case of a revision the data is updated*