16 September 2020

Eyeopener

CPI and MPC did not surprise

Solid data supported global market sentiment
CPI and MPC did not surprise
EURPLN still in consolidation
Polish bond yields declined further
Today, core inflation in Poland, FOMC decision in the evening

On Tuesday the global market sentiment was pretty good owing to the better-than-expected data released worldwide. Chinese August retail sales and industrial output surprised to the upside and the September German ZEW rebounded more than anticipated. Expectations index reached its highest since 2000 and the current situation assessment rose for the fourth month in a row. In the afternoon, we saw decent US data. The Empire manufacturing index rose more than expected while the monthly change of industrial output stayed above zero (though lower than forecasted). As a result, stock indexes rose somewhat while core bonds remained stable. Brent oil and gold prices did not change much while most of the EM currencies gained vs the euro and half of them strengthened vs the dollar.

Final reading of **Polish CPI inflation** confirmed a decline in August to 2.9% y/y from 3.0%. Services price growth eased to 6.6% y/y from 7.3%. We maintain our estimate of August core inflation at 4.1% y/y (to be released today at 14:00CET), down from 4.3% in July and expect a further decline of headline and core CPI growth in the following months. **GUS foreign trade data** for July showed a rebound in imports amid stabilising exports with significant recovery in trade turnover with the EU. Find more in our yesterday's Economic comment.

The **Monetary Policy Council** kept interest rates unchanged, as expected. Again, there was no press conference after the meeting, only the press release has been published. The post-meeting statement has barely changed versus its previous July edition. The MPC noticed the improvement in recent economic data but it seems that it has barely changed its general assessment of economic outlook. We still expect the monetary policy parameters to remain on hold at least until the end of 2021.

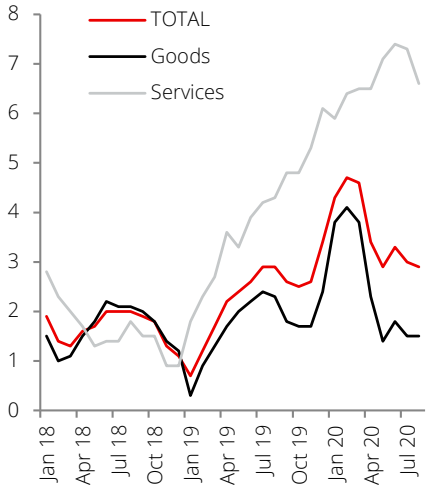
EURUSD stayed yesterday within a similar range as on Monday, and while it managed to go a bit above the previous day's high, reaching 1.19, it ended the day at 1.184, slightly lower than at the opening. We think that trading will be calm today ahead of the evening FOMC decision. The message from the US central bankers' meeting should be dovish, but this is already priced-in, it seems. This leaves EURUSD exposed to some downside correction after the meeting rather than to a further rise.

EURPLN remained within the 4.425-4.47 range as it was hovering around 4.444. USDPLN traded around 3.74. For the upcoming sessions, it is the EURUSD reaction to the outcome of the FOMC meeting that could be key for EURPLN. The 1M 25-delta risk reversal implied volatility rose somewhat following the recent rise of EURPLN but looking at its historical trends, there seems to be still room for an increase. We think EURPLN could test 4.48 area (that prevented the exchange rate from a rise in July) before the zloty starts to appreciate again.

In the **CEE region** the Czech koruna was underperforming again as it lost versus the euro, while the forint and the ruble were rather stable. EURCZK climbed temporarily above 26.8 towards the consolidation channel valid in June-mid July. EURHUF was still near 357. USDRUB stayed between Monday peak (77.5) and low (74.5)

On the **domestic interest rate market**, bond yields were continiung the downward trend valid since the start of the month. The most considerable changes were again recorded at the middle of the curve. IRS rose a bit, which resulted in a some narrowing of asset swap spreads. 10Y Poland-Germany spread climbed a bit versus Monday. The Finance Ministry informed that tomorrow it will offer OK0423, PS0425, WZ0525, WZ1129 and DS1030 and purchase DS1020, WZ0121, PS0421, OK0521 and PS0721..

CPI, main categories ,%y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.4511	CZKPLN	0.1651
USDPLN	3.7580	HUFPLN*	1.2438
EURUSD	1.1843	RUBPLN	0.0501
CHFPLN	4.1371	NOKPLN	0.4158
GBPPLN	4.8447	DKKPLN	0.5971
USDCNY	6.7712	SEKPLN	0.4274

*for 100HUF

Last session in the FX market 15/09/2020

	min	max	open	close	fixing
EURPLN	4.433	4.455	4.447	4.455	4.449
USDPLN	3.728	3.763	3.739	3.761	3.745
EURUSD	1.184	1.190	1.189	1.184	-

Interest rate market 15/09/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.06	-4
PS0425 (5Y)	0.70	-1
DS1030 (10Y)	1.37	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.21	1	0.23	1	-0.50	0
2L	0.26	0	0.22	1	-0.47	0
3L	0.36	1	0.24	1	-0.46	0
4L	0.49	1	0.27	1	-0.44	0
5L	0.63	1	0.33	1	-0.41	1
8L	0.94	1	0.55	1	-0.30	0
10L	1.08	1	0.68	1	-0.21	0

WIBOR rates

Term	%	Change (bps)
O/N	0.08	-1
T/N	0.08	-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	0.22	1
3x6	0.19	0
6x9	0.17	-1
9x12	0.18	-1
3x9	0.23	1
6x12	0.24	1

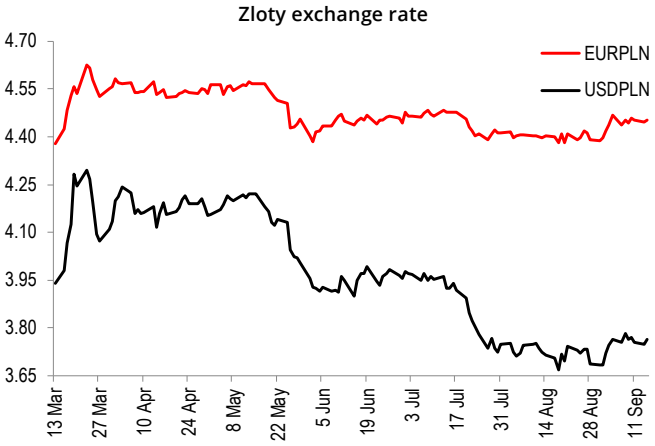
Measures of fiscal risk

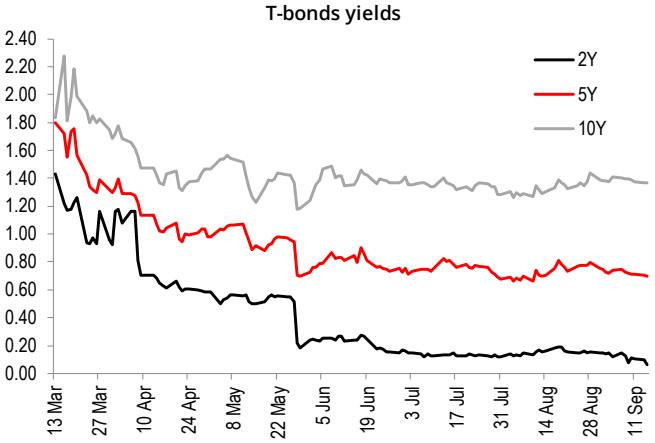
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	56	0	185	1
France	9	0	27	-1
Hungary	63	0	297	7
Spain	53	-1	75	-1
Italy	92	-2	148	-2
Portugal	33	-2	78	0
Ireland	16	0	39	-1
Germany	8	0	-	-

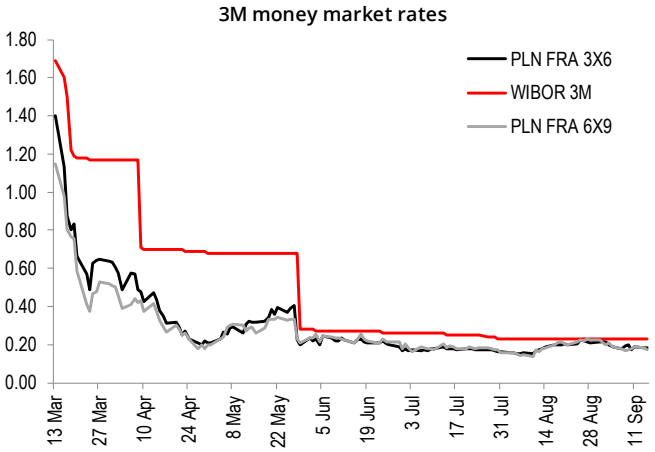
* 10Y treasury bonds over 10Y Bunds

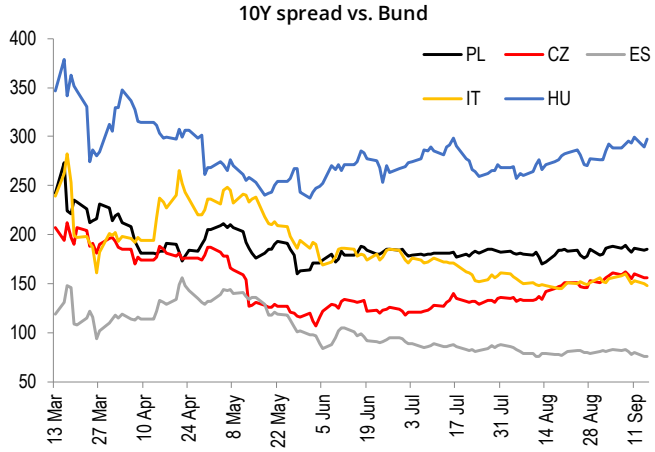
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream









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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**	**0.10**
10:00	**PL**	**CPI**	**Aug**	**% y/y**	**2.9**	**2.9**	**2.9**	**2.9**
11:00	DE	ZEW Survey Current Situation	Sep	pts	-72.5	-	-66.2	-81.3
15:15	US	Industrial Production	Aug	% m/m	1.0	-	0.4	3.5
			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*

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