

18 September 2020

# Eyeopener

## Political storm in ruling coalition

Next weaker data from the USA  
Further improvement in domestic labour market  
Crisis in the ruling coalition?  
Zloty and other CEE currencies losing, dollar strengthening  
Polish debt benefiting from weaker moods abroad  
Today, Polish industrial output data

Thursday's session passed in rather poor moods, although the pessimism was gradually waning. Falling prices in equity markets, strengthening of the dollar, weakening of EM currencies and strengthening of core market bonds were triggered by the investors' perception that the message from the last FOMC press conference was unclear, by the persisting lack of political agreement about the next US fiscal support package, and by next worse than expected data, this time from the US housing market. In August the number of new house starts and building permits were unexpectedly lower than in July.

In August the **average employment in the corporate sector** improved to -1.5% y/y from -2.3% in July. Large part of the improvement came from the restoration of full-time employment where working time had been shortened after the outbreak of the pandemic – this would limit room for further recovery. Wage growth did not surprise, rising to 4.1% y/y from 3.8%. Please see more details in our [Economic comment](#).

**NBP governor Adam Glapiński** wrote in an article for Dziennik Gazeta Prawna daily that in 2021 inflation will likely keep falling and in the coming months the pace of economic recovery will be lower. In his view although "the worst is already behind us", the monetary policy must remain accommodative as economic activity is still below potential and as the government anti-crisis programs will be gradually phased out. At the same time the NBP governor thinks that low interest rates are not a threat to the financial system stability. His remarks confirm our view that Glapiński and the majority of MPC members gathered around him are still favouring rates in place even until the end of the term (early 2022).

Today in Poland attention may turn to the **conflict in the ruling coalition**. Late in the evening, Sejm (lower house of the Polish parliament) approved an amendment to the bill on protection of animal rights but the Law and Justice (PiS) coalition partner Zjednoczona Prawica and some PiS members voted against. Earlier the PiS leaders said that lack of unanimity in this regard may result in consequences for the party lawmakers and break-up of the coalition, possibly even leading to early elections.

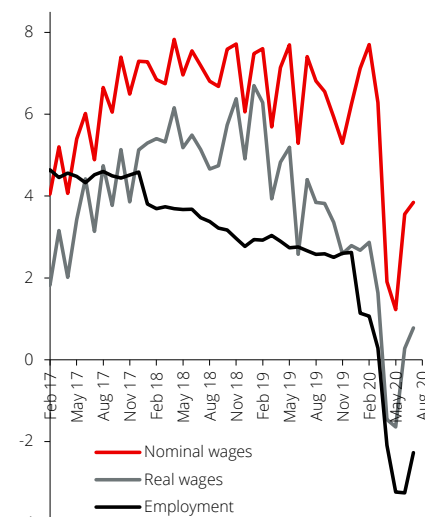
**EURUSD** corrected some of the overnight downside move and rebounded yesterday to 1.18 from 1.173. It seems that it will not be able to get out of the 1.17-1.20 range already this week. The FOMC dovish message was no surprise, but poor US data released this week acted against the dollar. This afternoon we will get University of Michigan consumer sentiment index, but we think it will not make the exchange rate move much.

**EURPLN** set yesterday the session high at 4.46, but by the end of the day it declined to c.4.45. USDPLN dropped from 3.79 reached at night to 3.77. The zloty was yesterday the eighth worst performing EM currency in the world vs the euro and the dollar, but the forint and the koruna lost even more. It seems that the yet another resolution of the European Parliament stating the further deterioration of rule of law in Poland did not affect the zloty much yesterday. EURPLN is still waiting for an impulse, which will push it outside the 4.425-4.47 range constraining the fx pair for the last two weeks.

As for the **other CEE currencies**, EURHUF rose for the third session in a row and as it broke through 360 it approached the September top at just above 361. USDRUB remained within the Monday trading range, while moving towards its upper bound at 75.5.

On the **domestic interest rate market**, IRS and bond yields fell by another 1-3bp. Strengthening of core markets bonds supported the move. 10Y Bund yield tested a support at around -0.50% and in the end of the local session it was a bit below that level. If the support is broken, Polish bonds will get a positive signal, especially the long end, which was gaining relatively little in the recent weeks. At the switch auction the Ministry of Finance sold bonds worth PLN2.52bn (including PLN1.4bn of PS0425) and bought back bonds worth PLN2.47bn (including PLN1.2bn of PS0721). The ministry informed that this year's borrowing needs are covered in 98%.

Corporate sector data, %y/y



Source: GUS, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
website: [santander.pl/en/economic-analysis](https://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	4.4501	CZKPLN	0.1648
USDPLN	3.7545	HUFPLN*	1.2354
EURUSD	1.1852	RUBPLN	0.0502
CHFPLN	4.1429	NOKPLN	0.4143
GBPPLN	4.8660	DKKPLN	0.5971
USDCNY	6.7566	SEKPLN	0.4277

\*for 100HUF

### Last session in the FX market

17/09/2020

	min	max	open	close	fixing
EURPLN	4.445	4.460	4.452	4.454	4.451
USDPLN	3.763	3.791	3.786	3.767	3.771
EURUSD	1.175	1.183	1.176	1.182	-

## Interest rate market 17/09/2020

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

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.06	-2
PS0425 (5Y)	0.69	0
DS1030 (10Y)	1.37	0

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.20	0.22	-0.51
2L	0.26	0.21	-0.48
3L	0.34	0.23	-0.47
4L	0.47	0.27	-0.45
5L	0.60	0.33	-0.43
8L	0.89	0.56	-0.31
10L	1.03	0.69	-0.23

## WIBOR rates

Term	%	Change (bps)
O/N	0.08	0
T/N	0.10	2
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	0.16	-1
9x12	0.17	-1
3x9	0.22	-2
6x12	0.24	2

## Measures of fiscal risk

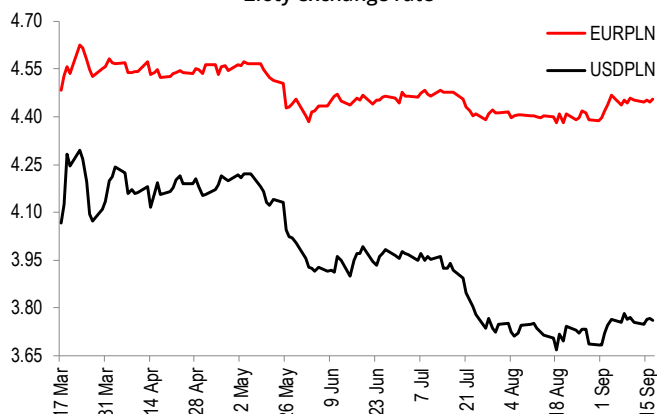
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	56	186
France	9	26
Hungary	63	294
Spain	52	76
Italy	92	145
Portugal	33	78
Ireland	16	36
Germany	8	-

\* 10Y treasury bonds over 10Y Bunds

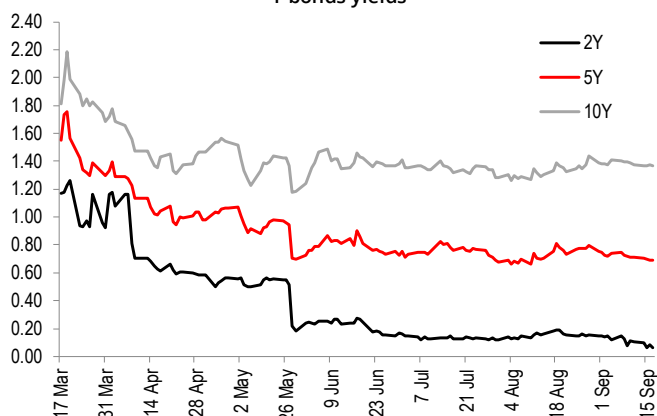
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

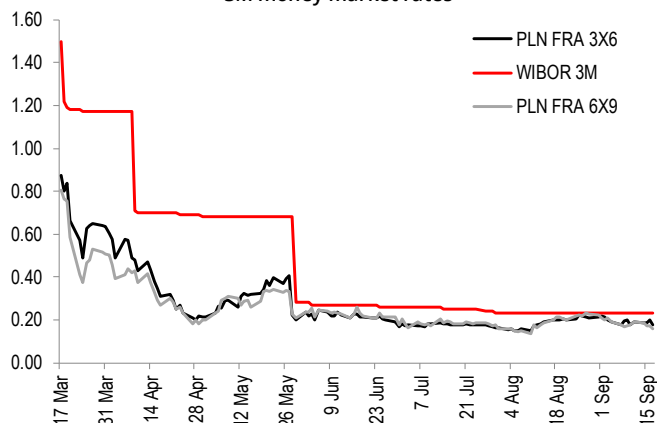
## Zloty exchange rate



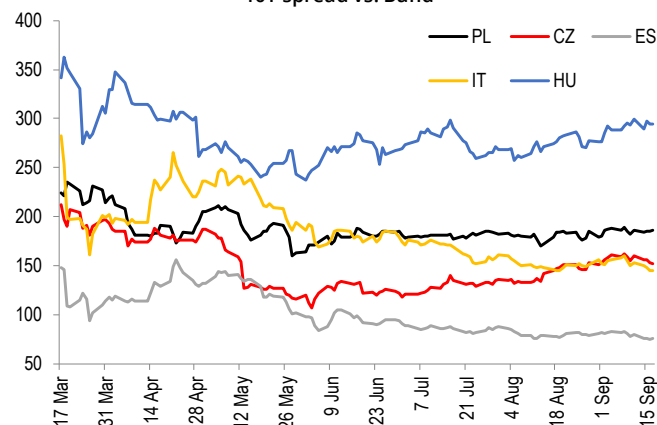
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Economic calendar				FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD				
CET				MARKET	SANTANDER	VALUE	VALUE*
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	-	0.4
MONDAY (14 September)							
11:00	EZ	Industrial Production SA	Jul	% m/m	4.2	-	4.1
14:00	PL	Current Account Balance	Jul	€mn	2 777	1 573	1 620
14:00	PL	Trade Balance	Jul	€mn	2 134	1 642	998
14:00	PL	Exports	Jul	€mn	19 830	19 487	19 563
14:00	PL	Imports	Jul	€mn	17 291	17 845	18 565
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	-	-66.2
15:15	US	Industrial Production	Aug	% m/m	1.0	-	0.4
WEDNESDAY (16 September)							
14:00	PL	CPI Core	Aug	% y/y	4.1	4.1	4.0
14:30	US	Retail Sales Advance	Aug	% m/m	1.0	-	0.6
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	-1.5
10:00	PL	Average Gross Wages	Aug	% y/y	4.1	4.1	4.1
11:00	EZ	HICP	Aug	% y/y	-0.2	-	-0.2
14:30	US	Initial jobless claims	week	k	850	-	860
14:30	US	Building permits	Aug	k	1 517	-	1 470
14:30	US	House starts	Aug	k	1 483	-	1 416
14:30	US	Philly Fed index	Sep	pts	15.0	-	15.0
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

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>.