

23 September 2020

Eyeopener

Flash September PMIs today

Markets calmed down before September PMIs

Zloty recovers, EURPLN below 4.50

Polish bonds weaker, IRS higher

Today in Poland unemployment rate, consumer confidence, BGK bond auction

On Tuesday the emotions on the stock markets calmed down – most of the main European stock indices slightly gained, Brent oil went up by 1.5%, gold by 0.65%. The US dollar and the yields of 10Y UST were stable (0.67%) while the yield on the German Bund increased 2bp to -0.50%. The EM currencies slightly gained. On the macro side, European preliminary September consumer confidence declined however by less than expected. In the US, existing home sales in August at 6mln was in line with expectations. Richmond Fed increased more than expected to 21pts, the highest since the end of 2018.

GUS business sentiment indicators for September showed a further improvement. The m/m rise was smaller than in the previous months but quite broad. Current situation was seen as worse than in August only in wholesale trade and among financials and insurance companies, while outlook was considered worse only by HoReCa sector (the second significant deterioration in a row) and to some extent by industry. The levels around which the sectoral indexes seem stabilising are well below pre-pandemic levels albeit above the trough from the 2012-2013 slowdown (with the exception of HoReCa). The GUS indicators show a different picture (gradual recovery unlikely to reach the starting point) than manufacturing PMI which is a narrower survey (quick rebound above the pre-covid level and a downside correction already in August).

M3 money supply growth slowed in August to 16.2% y/y from 16.8% in July. Deposit growth decelerated to 13.9% from 14.4%, in which individuals' deposits to 7.8% from 8.8% and firms' deposits accelerated slightly: to 27.9% from 27.7% y/y. Cash in circulation also slowed: to 31.2% from 32.6% y/y in July. Term deposits continued shrinking (-25.5% y/y vs -21.2% y/y in July) and current deposits accelerated (34.7% vs 33.2% y/y). Loans slowed in August to 0.5% y/y from 0.9% y/y (after FX adjustment). Loans for individuals were growing 3.9% y/y vs 4.2% in July, loans for companies -3.9% y/y vs -3.2%. Slower money growth results mainly from lower money creation by the debt issuances from PFR and BGK, which were financing the fiscal stimulus programme amid still relatively low demand for credit. We expect those trends to continue in the coming months.

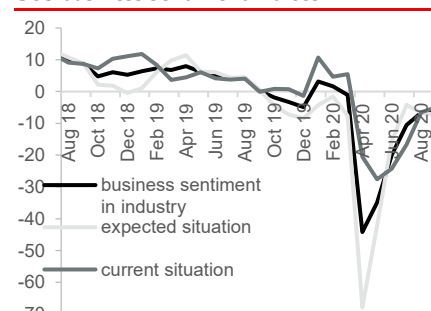
EURUSD started and ended the day at 1.174. The daily trading range was not wide (1.172-1.177). Today's data on PMI in the euro zone, Germany and France could trigger a bit more dynamics. At the start of the day EURUSD is slightly below important support at 1.17 and data from Europe will judge whether this level will be broken.

EURPLN having opened a tad below 4.50 continued in the morning the rise that had started on Monday and reached 4.515. In the second part of the day it fell dynamically to 4.48. Tests of 4.50 may continue as long as the short-term direction for the dollar does not clarify.

The other CEE currencies stabilized or recovered slightly after the Monday's weakening. EURHUF opened and closed at 362 but the intraday trading range was wide (0.8%). The Hungarian central bank left interest rates unchanged, main still at 0.60%. EURCZK moved somewhat more as it fell 0.7% to 27.0. USDRUB eased 0.5% to 75.9. What is unusual, the EURCZK weekly realized volatility (c15%) is the highest in the CEE region, higher even than on the USDRUB market (10.3%) and vs 7.8% of EURPLN and 6.7% of EURHUF. Today the Czech central bank will decide about the interest rates – we do not expect any changes.

On the domestic interest rate market, Tuesday was a calmer day with the FRA rates stable and IRS curve shifting 1-2bp up (2Y +1bp to 0.22%, 10Y +2bp to 0.92%). The 10Y bond yield rose 3bp to 1.33% and the respective Bund spread reached 184bp.

GUS business sentiment indices



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.4849	CZKPLN	0.1664
USDPLN	3.8407	HUFPLN*	1.2270
EURUSD	1.1681	RUBPLN	0.0504
CHFPLN	4.1673	NOKPLN	0.4085
GBPPLN	4.8736	DKKPLN	0.6026
USDCNY	6.7955	SEKPLN	0.4294

*for 100HUF

Last session in the FX market

9/22/2020

	min	max	open	close	fixing
EURPLN	4.477	4.515	4.496	4.489	4.506
USDPLN	3.808	3.852	3.819	3.837	3.836
EURUSD	1.169	1.177	1.177	1.170	-

Interest rate market

9/22/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.09	2
PS0425 (5Y)	0.67	2
DS1030 (10Y)	1.34	4

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.18	0.23	-0.52
2L	0.23	0.21	-0.49
3L	0.30	0.22	-0.48
4L	0.41	0.26	-0.46
5L	0.52	0.32	-0.43
8L	0.80	0.55	-0.32
10L	0.93	0.68	-0.23

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	0.22	0
6M	0.26	0
1Y	0.27	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.20	0
3x6	0.16	1
6x9	0.14	1
9x12	0.14	1
3x9	0.22	3
6x12	0.20	0

Measures of fiscal risk

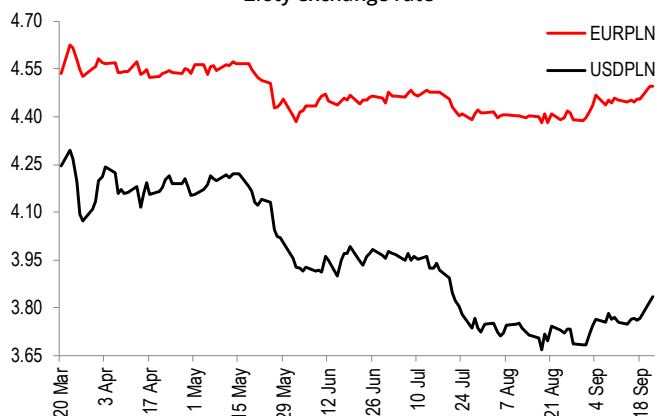
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	58	184
France	10	27
Hungary	63	299
Spain	55	74
Italy	96	137
Portugal	36	76
Ireland	19	35
Germany	9	-

* 10Y treasury bonds over 10Y Bunds

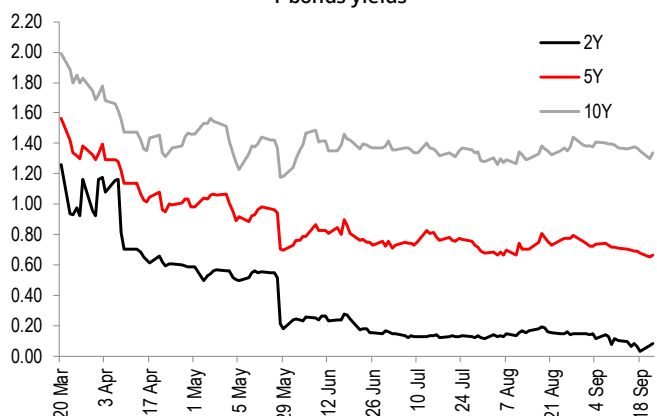
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

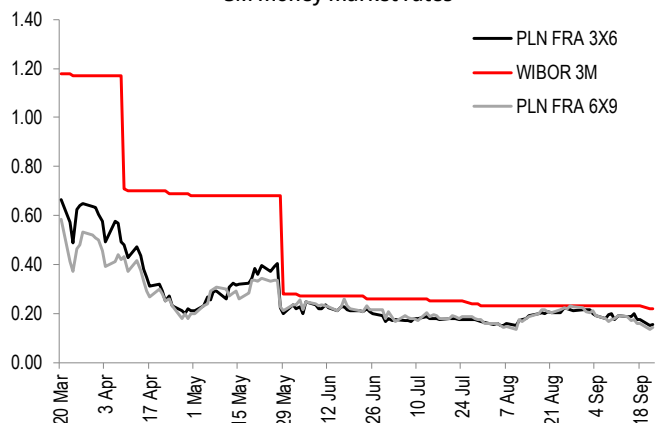
Zloty exchange rate



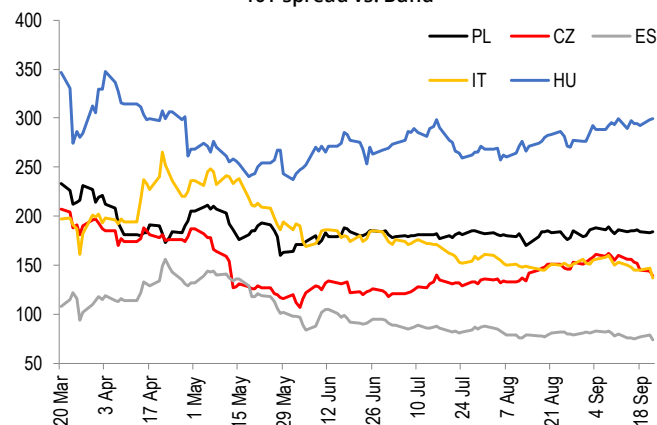
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME		COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (18 September)								
10:00	PL	Industrial output	Aug	% y/y	3.4	2.9	1.5	1.1
10:00	PL	PPI	Aug	% y/y	-1.0	-1.2	-1.2	-0.6
16:00	US	Flash Michigan index	Sep	pts	76.0	-	78,9	74.1
MONDAY (21 September)								
10:00	PL	Real retail sales	Aug	% y/y	2.3	2.7	0.5	3.0
10:00	PL	Construction and assembly output	Aug	% y/y	-9.3	-11.7	-12.1	-10.9
TUESDAY (22 September)								
14:00	PL	Money supply M3	Aug	% y/y	16.4	15.9	16.2	16.8
14:00	HU	Central bank decision		%	0.60	-	0.60	0.60
16:00	US	Existing home sales	Aug	% m/m	2.4	-	2.4	24.7
WEDNESDAY (23 September)								
9:30	GE	Flash PMI – manufacturing	Sep	pts	52.1	-		52.2
9:30	GE	Flash PMI – services	Sep	pts	52.9	-		52.5
10:00	EZ	Flash PMI – manufacturing	Sep	pts	51.5	-		51.7
10:00	EZ	Flash PMI – services	Sep	pts	50.6	-		50.5
10:00	PL	Unemployment rate	Aug	%	6.1	6.1		6.1
14:30	CZ	Central bank decision		%	0.25	-		0.25
THURSDAY (24 September)								
10:00	GE	Ifo index	Sep	pts	93.8	-		92.6
14:30	US	Initial jobless claims	week	k	880	-		901
16:00	US	New home sales	Aug	% m/m	-2.3	-		13.9
FRIDAY (25 September)								
	PL	Rating review by Fitch						
	HU	Rating review by Moody's						
14:30	US	Durable goods orders	Aug	% m/m	1.0	-		11.4

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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