

25 September 2020

Eyeopener

Zloty still under pressure

Stocks fall amid growth worries
 EURPLN above 4.55
 Polish bonds gain
 Today Fitch reviews Polish rating, Moody's Hungarian one

On Thursday global stock markets were again dominated by pessimism. One day earlier numerous Fed members were calling for higher fiscal spending arguing they are crucial to support the economic growth. Thus, on Thursday investors were mulling the probability and possible date of launch of such a programme, also given the current weeks-long talks between Democrats and Republicans on another round of economic support. US yields were relatively stable (10Y at 0.66%), while Bund yields went down by 3bp to -0.53%. EM currencies took a further hit, while central banks in Turkey and Hungary hiked their interest rates in order to slow down the currency depreciation.

September Ifo for Germany rose in m/m terms in all three categories, but was still below expectations. In the USA, the initial jobless claims jumped to 870k (with expectations at 840k), while home sales were clearly above expectations and reached its multi-year peak.

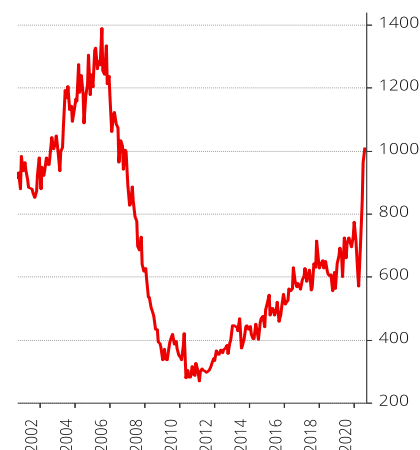
EURUSD was falling for the fourth day in a row, this time by only 0.25% to 1.164 and the whole downside move counting from Monday was exactly 2%. This week risk reversal strategies declined quite substantially (they approached zero) which means that up to around 3M investors do not expect a significant rise of EURUSD they expected a week ago.

EURPLN rose by 0.8% to 4.55, the highest since May. The fx rate is currently in 4.50-4.60 range and the reason for further weakening, similar to most other EM currencies, is poor sentiment on equity markets and strong dollar. News on rising coronavirus cases in Poland (record 1136 on Thursday) are not helping either. 4-day percentage change of EURPLN reached a historically high level (last seen in March and in 2016 before that), which suggests that at the end of the week trading may stabilise.

In the CEE region, the NBH (National Bank of Hungary) hiked a 1-week depo rate to 0.75% at the extraordinary meeting just two days after the ordinary one (on which rates remained unchanged). Hence, it reversed half of the June-July 30bp cut. The hike aims at slowing or stopping the sharp forint depreciation. EURHUF opened on Thursday at 365.0 and after the hike fell to 363.5. At the close of the day moved back to 365.0, however, which might suggest the symbolic hike is not enough, in market participants view. EURCZK after one quiet day, on Thursday started to climb back by 0.5% to 27.1. USDRUB rose by a similar amount and closed at 77.35 (we expect it at 81.0 at the end of the year).

On the domestic interest rate market, IRS curve moved slightly (~2bp) lower in the 5Y and 10Y tenors while 2Y remained stable, similarly to FRA contracts (still remaining 5bp below 3M Wibor). The bond curve behaved quite in the same way – 2Y yields remained stable at 0.08% while 10Y declined 3bp to 1.33%. Because the Bund yields declined by the same amount – the spread vs Bund remained unchanged at 185bp.

US new home sales



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4,5536	CZKPLN	0,1663
USDPLN	3,9021	HUFPLN*	1,2527
EURUSD	1,1671	RUBPLN	0,0506
CHFPLN	4,2212	NOKPLN	0,4095
GBPPLN	4,9784	DKKPLN	0,6075
USDCNY	6,8193	SEKPLN	0,4285

*for 100HUF

Last session in the FX market

24.09.2020

	min	max	open	close	fixing
EURPLN	4,477	4,562	4,516	4,559	4,527
USDPLN	3,869	3,921	3,875	3,909	3,883
EURUSD	1,163	1,167	1,165	1,166	-

Interest rate market 24.09.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0,09	-1
PS0425 (5Y)	0,66	-1
DS1030 (10Y)	1,34	-3

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0,19	0,23	-0,51
2L	0,24	0,22	-0,48
3L	0,32	0,24	-0,48
4L	0,42	0,27	-0,45
5L	0,53	0,34	-0,42
8L	0,81	0,55	-0,31
10L	0,95	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	0,17	0
6x9	0,17	1
9x12	0,17	0
3x9	0,20	-3
6x12	0,21	0

Measures of fiscal risk

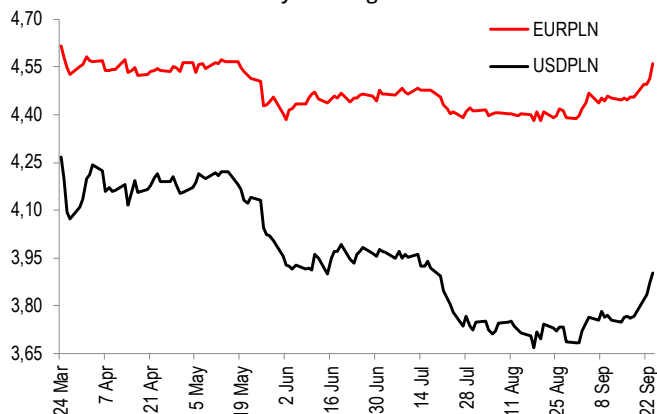
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	58	185
France	10	27
Hungary	63	310
Spain	56	75
Italy	95	139
Portugal	36	78
Ireland	19	37
Germany	9	-

* 10Y treasury bonds over 10Y Bunds

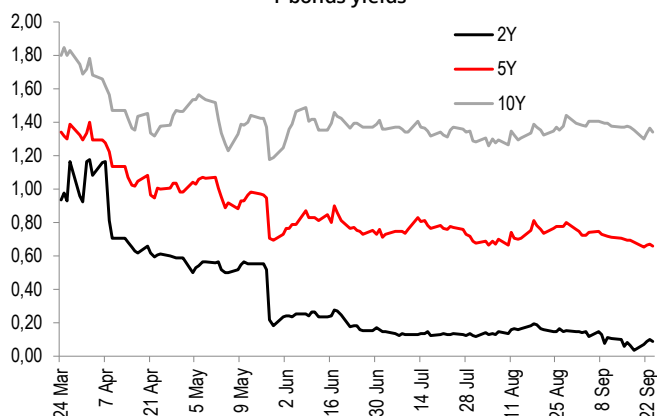
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

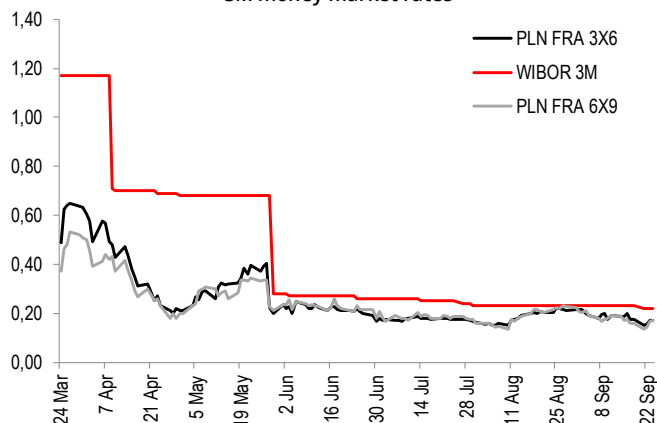
Zloty exchange rate



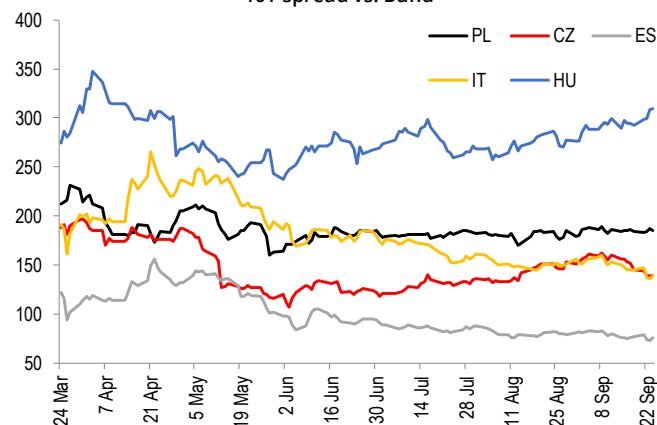
T-bonds yields



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	-	56.6	52.2
9:30	GE	Flash PMI – services	Sep	pts	52.9	-	49.1	52.5
10:00	EZ	Flash PMI – manufacturing	Sep	pts	51.5	-	53.7	51.7
10:00	EZ	Flash PMI – services	Sep	pts	50.6	-	47.6	50.5
10:00	PL	Unemployment rate	Aug	%	6.1	6.1	6.1	6.1
14:30	CZ	Central bank decision		%	0.25	-	0.25	0.25
THURSDAY (24 September)								
10:00	GE	Ifo index	Sep	pts	93.8	-	93.4	92.6
14:30	US	Initial jobless claims	week	k	840	-	870	901
16:00	US	New home sales	Aug	% m/m	-1.0	-	4.8	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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