

28 September 2020

# Eyeopener

## Rising number of infections hits sentiment

Risky assets under pressure at the end of the week  
 Fitch did not change Poland's rating  
 EURPLN below 4.55, EURUSD down  
 Polish debt benefitting from risk aversion  
 No important data today

The Friday's session did not differ much from others in the previous week. Equity prices in Europe were declining again amid rising worries about impact of rising coronavirus cases on the economy. Persisting risk aversion was supporting the US currency and core market bonds, while EM currencies were under pressure. In the afternoon the weaker than expected US data about durable goods orders were released, joining the recent series of disappointing readings from the world's biggest economy.

**The Fitch rating agency** confirmed the Polish long-term foreign currency rating at A- with stable outlook, in line with expectations. The agency is relatively optimistic about the public finance deficit in Poland (expected 8.2% in 2020, 5.4% in 2021). The reason for that is because Fitch, relative to Polish government's forecasts, expects higher GDP growth and also expects that the support programmes will not be used in full. Polish rating might improve in case of fiscal consolidation, the decrease in foreign net indebtedness or faster GDP growth. The rating might deteriorate in case of permanent increase in the public debt, worse governance standards or business climate.

NBP published the **2021 monetary policy guidelines**, signed by MPC. The strategy of medium-term inflation target at 2.5% +/- 1pp remained in place. The realisation of the strategy will remain very flexible as regards choice of monetary policy instruments, the preferred pace of inflation adjustment as well as how quick the bank will react to shocks depending on their nature. In the document, the part regarding monetary policy instruments has grown larger. The description of adjustment operations and structural open market operations is in line with how they were used in 2020 so far – to support liquidity for the banking sector and liquidity on the secondary market for assets purchased within the QE programme.

**EURUSD** declined at the end of the week to 1.163, but remained slightly above the Thursday low. The total fall in the last five sessions was the largest weekly move down since early April. The breaking of 1.17 support opens way for further dollar appreciation to even 1.14-1.15, but we think that by the end of the year the fx rate will be back above 1.17.

**EURPLN** and **USDPLN** were trading at an elevated level, just above the Thursday tops at c.4.56 and 3.92 respectively. The possible further appreciation of the dollar may keep the zloty at weaker levels, but we do not think EURPLN could rise much more. This morning the zloty is already a bit stronger.

Among the **other CEE currencies**, the ruble was an underperformer. USDRUB broke 78.0 and was at the highest level since early April. EURCZK rebounded to 27.1 from 27.0 and remain just below the Thursday's peak. The forint outperformed its peers. The unexpected hike of the central bank's 1-week deposit rate helped EURHUF to stay near the Thursday's close of c363.

On the **domestic interest rate market** the bond yields eased 3bp with the 10Y yield back to 1.30%. The IRS curve moved 1bp down. Core debt also gained amid poor global market mood but the Bund gained somewhat less than its Polish peer which allowed the 10Y yield spread to narrow slightly. Given the unstable global market mood and steepness of the Polish curve, we still see room for a lower yields on the long end.

**The number one issue last week and likely also this week is the pandemic resurgence.** Most European countries (including CEE) see the number of Covid-19 cases rising to new record highs, which triggers worries about the economic outlook. Even if governments will be quite reluctant to re-impose tight restrictions (which seems likely), the economic activity may suffer due to psychological effects. It looks like the risk of coalition breakdown in Poland has disappeared for now. Political issues will be important abroad: on Tuesday the first presidential debate takes place in the USA, which may affect the market perception of Donald Trump's chances for reelection; in Europe the Brexit negotiations will continue. The calendar of domestic data publications is almost empty - on Thursday flash September inflation and PMI are due. On Friday evening S&P may publish Poland's rating review.

US durable goods orders (% y/y)



Source: Refinitiv Datastream, Santander Bank Polska

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.5418 | CZKPLN  | 0.1662 |
| USDPLN | 3.9032 | HUFPLN* | 1.2410 |
| EURUSD | 1.1633 | RUBPLN  | 0.0499 |
| CHFPLN | 4.2008 | NOKPLN  | 0.4086 |
| GBPPLN | 4.9832 | DKKPLN  | 0.6075 |
| USDCNY | 6.8229 | SEKPLN  | 0.4288 |

\*for 100HUF

### Last session in the FX market

25.09.2020

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.541 | 4.561 | 4.547 | 4.551 | 4.548  |
| USDPLN | 3.889 | 3.925 | 3.897 | 3.917 | 3.902  |
| EURUSD | 1.161 | 1.168 | 1.167 | 1.162 | -      |

## Interest rate market 25.09.2020

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

| Benchmark (term) | %    | Change (bps) |
|------------------|------|--------------|
| PS0722 (2Y)      | 0.09 | 0            |
| PS0425 (5Y)      | 0.64 | -2           |
| DS1030 (10Y)     | 1.30 | -3           |

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

| Term | PL           | US           | EZ           |
|------|--------------|--------------|--------------|
|      | %            | %            | %            |
|      | Change (bps) | Change (bps) | Change (bps) |
| 1L   | 0.18         | 0.22         | -0.52        |
| 2L   | 0.23         | 0.22         | -0.49        |
| 3L   | 0.30         | 0.24         | -0.48        |
| 4L   | 0.40         | 0.27         | -0.46        |
| 5L   | 0.51         | 0.33         | -0.43        |
| 8L   | 0.78         | 0.55         | -0.32        |
| 10L  | 0.92         | 0.69         | -0.24        |

## WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 0.10 | 1            |
| T/N  | 0.10 | 1            |
| 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 | 0            |
| 9x12 | 0.16 | 0            |
| 3x9  | 0.21 | 1            |
| 6x12 | 0.21 | 0            |

## Measures of fiscal risk

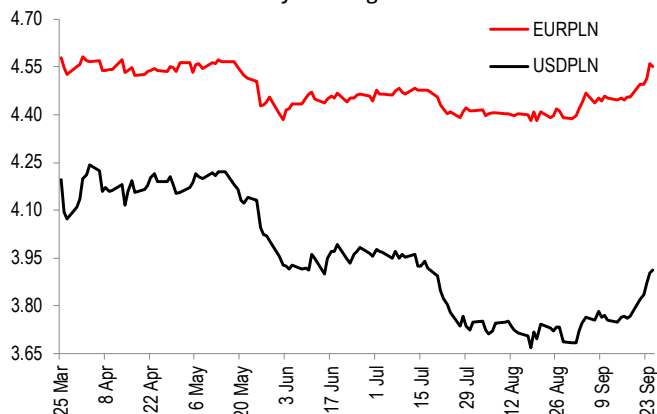
| Country  | CDS 5Y USD   | 10Y spread*  |
|----------|--------------|--------------|
|          | Level        | Level        |
|          | Change (bps) | Change (bps) |
| Poland   | 58           | 183          |
| France   | 10           | 28           |
| Hungary  | 63           | 302          |
| Spain    | 56           | 78           |
| Italy    | 97           | 142          |
| Portugal | 36           | 80           |
| Ireland  | 19           | 37           |
| Germany  | 9            | -            |

\* 10Y treasury bonds over 10Y Bunds

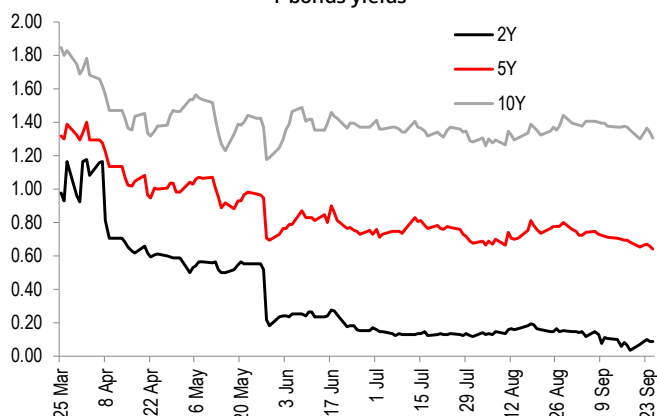
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

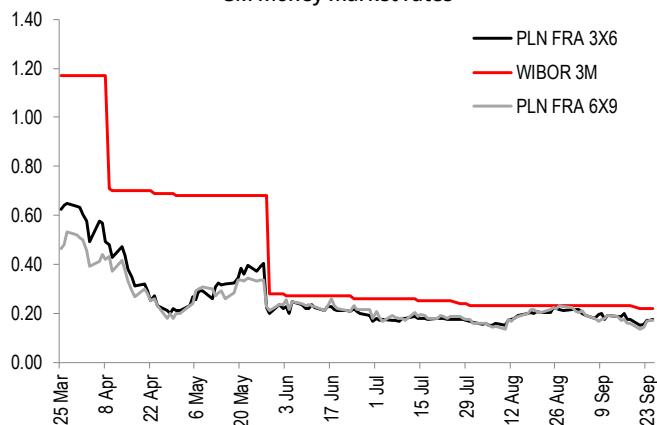
## Zloty exchange rate



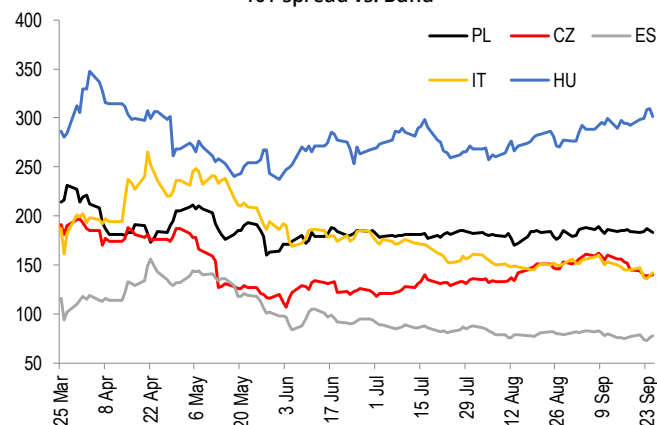
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| TIME                            | COUNTRY   | INDICATOR                       | PERIOD           | FORECAST   |             | ACTUAL | LAST        |
|---------------------------------|-----------|---------------------------------|------------------|------------|-------------|--------|-------------|
|                                 |           |                                 |                  | MARKET     | SANTANDER   |        |             |
| CET                             |           |                                 |                  |            |             | VALUE  | VALUE*      |
| <b>FRIDAY (25 September)</b>    |           |                                 |                  |            |             |        |             |
|                                 | <b>PL</b> | <b>Rating review by Fitch</b>   |                  |            |             |        |             |
|                                 | HU        | Rating review by Moody's        |                  |            |             |        |             |
| 14:30                           | US        | Durable Goods Orders            | Aug % m/m        | 1.4        | -           | 0.4    | 11.7        |
| <b>MONDAY (28 September)</b>    |           |                                 |                  |            |             |        |             |
| No important data               |           |                                 |                  |            |             |        |             |
| <b>TUESDAY (29 September)</b>   |           |                                 |                  |            |             |        |             |
| 11:00                           | EZ        | ESI                             | Sep pct.         | 89.2       | -           |        | 87.7        |
| 14:00                           | DE        | HICP                            | Sep % m/m        | 0.0        | -           |        | -0.2        |
| 16:00                           | US        | Consumer Conference Board       | Sep pts          | 90.0       | -           |        | 84.8        |
| <b>WEDNESDAY (30 September)</b> |           |                                 |                  |            |             |        |             |
| 08:00                           | DE        | Retail Sales                    | Aug % m/m        | 0.4        | -           |        | -0.2        |
| <b>14:00</b>                    | <b>PL</b> | <b>Current Account</b>          | <b>2Q EURmn</b>  | <b>-</b>   | <b>6319</b> |        | <b>4504</b> |
| 14:15                           | US        | ADP report                      | Sep k            | 650.0      | -           |        | 428.4       |
| 14:30                           | US        | GDP Annualized                  | 2Q % q/q         | -31.6      | -           |        | -31.7       |
| 16:00                           | US        | Pending Home Sales              | Aug % m/m        | 2.0        | -           |        | 5.9         |
| <b>THURSDAY (1 October)</b>     |           |                                 |                  |            |             |        |             |
| <b>09:00</b>                    | <b>PL</b> | <b>Poland Manufacturing PMI</b> | <b>Sep pts</b>   | <b>-</b>   | <b>51.2</b> |        | <b>50.6</b> |
| 09:55                           | DE        | Germany Manufacturing PMI       | Sep pts          | 56.6       | -           |        | 56.6        |
| 10:00                           | EZ        | Eurozone Manufacturing PMI      | Sep pts          | 53.7       | -           |        | 53.7        |
| <b>10:00</b>                    | <b>PL</b> | <b>Flash CPI</b>                | <b>Sep % y/y</b> | <b>2.9</b> | <b>2.8</b>  |        | <b>2.9</b>  |
| 11:00                           | EZ        | Unemployment Rate               | Aug %            | 8.1        | -           |        | 7.9         |
| 14:30                           | US        | Initial Jobless Claims          | week k           | 840        | -           |        | 870         |
| 14:30                           | US        | Personal Spending               | Aug % m/m        | 0.7        | -           |        | 1.9         |
| 14:30                           | US        | Personal Income                 | Aug % m/m        | -2.1       | -           |        | 0.4         |
| 14:30                           | US        | PCE Deflator SA                 | Aug % m/m        | 0.3        | -           |        | 0.3         |
| 16:00                           | US        | ISM manufacturing               | Sep pts          | 55.9       | -           |        | 56.0        |
| <b>FRIDAY (2 October)</b>       |           |                                 |                  |            |             |        |             |
| 09:00                           | CZ        | GDP SA                          | 2Q % y/y         | -11.0      | -           |        | -11.0       |
| 11:00                           | EZ        | Flash HICP                      | Sep % y/y        | -0.1       | -           |        | -0.2        |
| 14:30                           | US        | Change in Nonfarm Payrolls      | Sep k            | 865        | -           |        | 1 371       |
| 14:30                           | US        | Unemployment Rate               | Sep %            | 8.2        | -           |        | 8.4         |
| 16:00                           | US        | Michigan index                  | Sep pts          | 78.9       | -           |        | 78.9        |
| 16:00                           | US        | Factory Orders                  | Aug % m/m        | 1.0        | -           |        | 6.4         |

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

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