

30 September 2020

Eyeopener

High volatility of the zloty

Strong rebound on the FX market
ESI for Poland shows a further improvement
Polish bond yields slightly down
Today quarterly balance of payments in Poland, ADP report in the USA

On Tuesday there were no major changes on the global market (stock markets and bonds were stable), with an exemption of the major the strengthening of the euro vs main currencies. The single currency was most likely supported by European data about higher than expected improvement of business sentiment. US consumer confidence was also much above market consensus – rising strongly after two months of declines. Neutral mood on stock exchanges and weakening of the dollar vs the euro helped emerging currencies stabilise or even show gains in some cases. Morning data on German retail sales were better than expected.

Health minister **Adam Niedzielski** said that the number of COVID-19 new cases may rise further. He stressed that restrictions aimed at stopping the virus spreading could be tightened but the criteria of number of new cases in a defined zones will be maintained. Mask wearing outside could be compulsory in yellow zones (currently only in red ones). Minister said that new restriction could be introduced, namely gastronomy services shall be closed after 22:00 in red zones.

The **ESI economic situation indices** for Poland showed a further improvement of sentiment within the business sectors, especially in services and retail trade. The improvement in the manufacturing was modest – the much better assessment of the current trend was accompanied by the lack of improvement in the new orders component. Current activity was seen as improving in both the construction and retail trade sectors. What is interesting, in the latter the assessment of the future activity is much higher than that of the current one. The consumer sentiment worsened, mostly due to deterioration in the current financial situation (the worst reading in almost 6 years) and economic one (worst since 2004, or 16 years).

According to the **MPC's Eryk Łon** it is important for the "interest rates to remain at a moderate level", which will support investments. He added that lack of rate hikes will help the zloty to remain at the weak level, which will support exports. It is intriguing that the lowest NBP rate level in history at 0.10% is barely "moderate" for Mr. Eryk Łon. By averaging talks of other MPC members, it becomes clear that the most likely scenario is that the NBP rates will remain on hold at least towards the end of 2021.

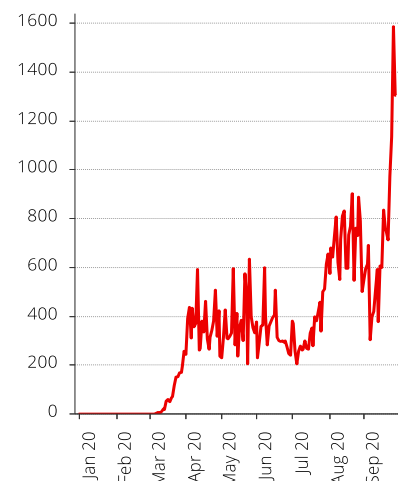
EURUSD saw yesterday the biggest daily rise since late August after it climbed to 1.173 from 1.166. The euro could have been supported by the European business sentiment data and calm global market mood. Thus, the exchange rate returned above the 1.17 support that was broken last week. Fast return above this level lowers chances for the dollar appreciation in the short term.

EURPLN rose to nearly 4.60 at the very beginning of the session but later in the day the zloty was gaining sharply and at the end of the Polish session the exchange rate was near 4.52. This was the biggest one-day zloty appreciation vs the euro since May when the EURPLN down move accelerated after the exchange rate left 4.50-4.60 range. USDPLN plummeted 3.85 from 3.93. We think that after such noticeable zloty strengthening and unsuccessful attempt to break 4.60, the Polish currency shall not be under pressure in the short-term.

In case of the **other CEE currencies**, less significant moves were recorded. EURCZK remained at an elevated level slightly above 27.0. EURHUF fell to 364 from 366 and neutralized roughly half of the Monday's rise. USDRUB reached its new local high at nearly 80.0.

On the **domestic interest rate market** bond yields fell 1-2bp while the IRS rates remained stable or rose by no more than 1bp. Polish 10Y bond yield is nearing its local low from August at 1.25% while the 5Y already in mid-September broke support determined in a similar way and is already 6bp below it. On the core debt market yields fell slightly more than in Poland.

Daily number of new COVID-19 cases in Poland



Source: Refinitiv Datastream, Santander Bank Polska

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: 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	4.5306	CZKPLN	0.1650
USDPLN	3.8665	HUFPLN*	1.2391
EURUSD	1.1721	RUBPLN	0.0488
CHFPLN	4.1921	NOKPLN	0.4085
GBPPLN	4.9560	DKKPLN	0.6083
USDCNY	6.8160	SEKPLN	0.4296

*for 100HUF

Last session in the FX market

29.09.2020

	min	max	open	close	fixing
EURPLN	4.502	4.596	4.590	4.525	4.583
USDPLN	3.847	3.940	3.931	3.862	3.923
EURUSD	1.166	1.174	1.168	1.172	-

Interest rate market 29.09.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.09	0
PS0425 (5Y)	0.61	0
DS1030 (10Y)	1.30	0

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.18	0.22	-0.52
2L	0.22	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	-0.33
10L	0.92	0.68	-0.25

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	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	-1
3x6	0.17	1
6x9	0.16	0
9x12	0.15	0
3x9	0.21	1
6x12	0.20	0

Measures of fiscal risk

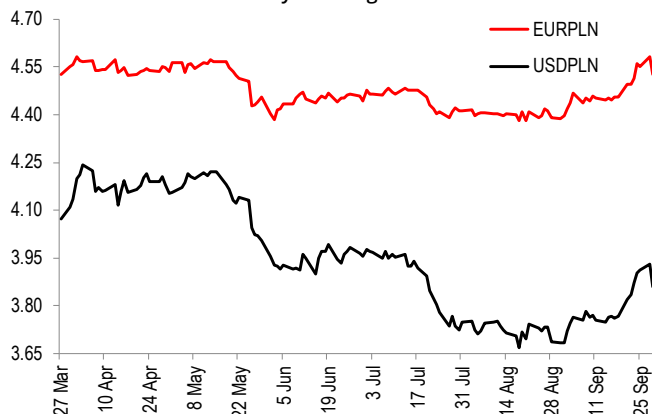
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	58	185
France	10	27
Hungary	71	307
Spain	56	76
Italy	95	138
Portugal	36	78
Ireland	18	37
Germany	7	-

* 10Y treasury bonds over 10Y Bunds

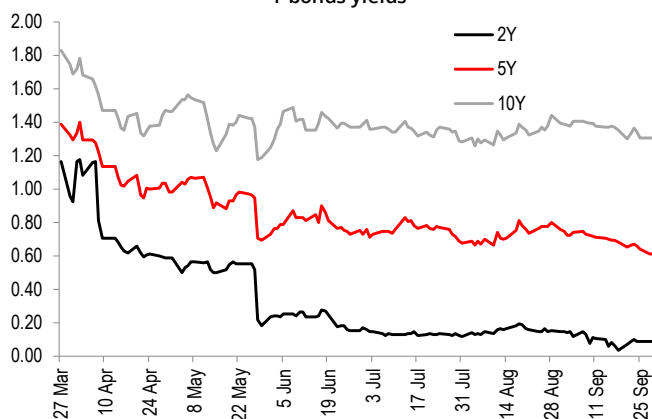
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

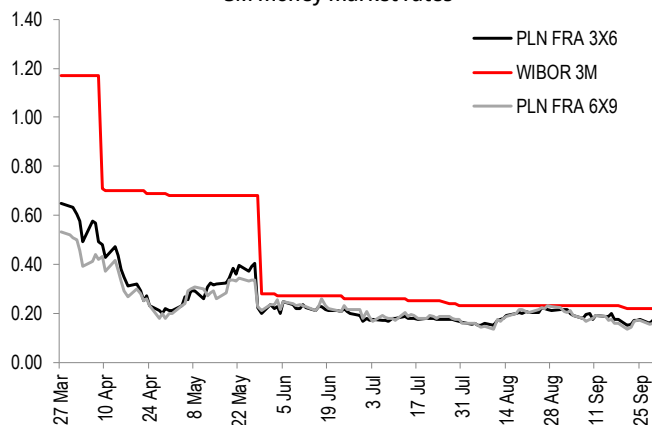
Zloty exchange rate



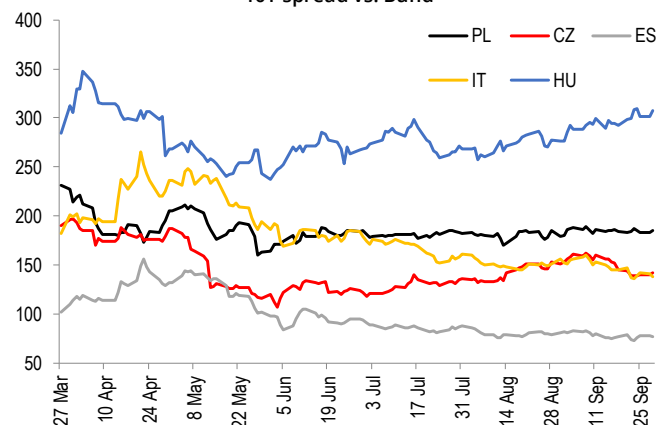
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (25 September)								
	PL	Rating review by Fitch						
	HU	Rating review by Moody's						
14:30	US	Durable Goods Orders	Aug	% m/m	1.4	-	0.4	11.7
MONDAY (28 September)								
No important data								
TUESDAY (29 September)								
11:00	EZ	ESI	Sep	pct.	89.2	-	91.1	87.7
14:00	DE	HICP	Sep	% m/m	0.0	-	-0.4	-0.2
16:00	US	Consumer Conference Board	Sep	pts	90.0	-	101.8	86.3
WEDNESDAY (30 September)								
08:00	DE	Retail Sales	Aug	% m/m	0.4	-	3.1	-0.2
14:00	PL	Current Account	2Q	EURmn	-	6319		4504
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
THURSDAY (1 October)								
09:00	PL	Poland Manufacturing PMI	Sep	pts	-	51.2		50.6
09:55	DE	Germany Manufacturing PMI	Sep	pts	56.6	-		56.6
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	53.7	-		53.7
10:00	PL	Flash CPI	Sep	% y/y	2.9	2.8		2.9
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
FRIDAY (2 October)								
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

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.