

5 October 2020

# Eyeopener

## US President's health affects markets

Markets reacted to the news of President Trump's Covid-19 infection  
 US labor market data worse than expected  
 EURPLN slowly increasing, closed the week above 4.50  
 Polish government slightly weaker on the long end of the curve  
 Today services PMI/ISM indices

On Friday equity markets declined after it became known that the US President Donald Trump and his wife tested positive for Covid-19. The first reaction of the VIX index was to increase by 3pp to 30.0 but after the whole day it was just 1pp up above Thursday close. The stock indices declines were muted however and mostly not larger than 1%. Long awaited data about September non-farm payrolls turned out worse than expected, but University of Michigan consumer sentiment improved. Durable goods order improved at the final August reading while factory orders undershoot expectations. In the Eurozone both headline and core inflation printed below expectations, which increases the likelihood of additional supportive action from the ECB still this year. The US dollar was stable, the core market yields either were stable as well (as in the case of German Bund at -0.54%) or slightly increased (UST 10Y at 0.70% or 4bp above). Most of the emerging market currencies lost. Gold price has not changed (at \$1900 an ounce) while Brent oil declined by 4% to \$39 a barrel. On Monday morning the stock market sentiment keeps improving after the news that President Trump might leave hospital as early as today.

On Friday evening the **S&P rating agency** confirmed Polish rating (long-term in foreign currency at "A-"), leaving the outlook stable. The agency underscored that possible changes to the rating could hypothetically occur if either Polish economy came back to stable growth without simultaneous increase of macroeconomic imbalances (improvement of rating) or if the impact of the Covid-19 pandemic slowed down the economic growth and lowered the medium-term potential growth (worsening of the rating). The S&P forecasts GDP growth at -3.4% in 2020 and +4.8% in 2021. The GG deficit is expected at 9.3% of GDP in 2020 and 5.1% in 2021, while the national debt at, respectively, 59.9% and 62.1% of GDP.

**EURUSD** was not very dynamic on Friday. After starting the day at 1.175 it was moving towards 1.171. The nearest technical levels are at 1.153 and 1.180 and one of them is likely to become a target in the days to come. While the spot price was rather calm, 1m option volatility rose by 0.9pp to 7.5% (while realised 1m volatility was equal to 5.5%) as they are expiring one day after EU presidential election. Today EURUSD started the day at 1.173.

After quite a volatile week **EURPLN** stabilised and was gradually climbing upward from 4.48. Daily maximum was set at 4.51, and the rate ended the day at 4.50.

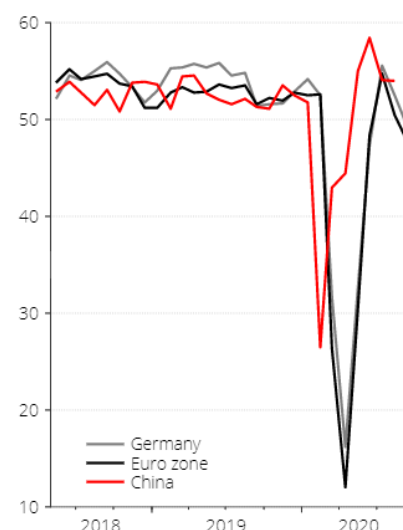
The performance of the **other CEE currencies** was mixed. After a very volatile week, on Friday the forint was rather stable – EURHUF was hovering in a narrow 358.5-395.5 range. At the same time, EURCZK rose to 27.1 after an usually big +1% move. The final 2Q Czech GDP at -10.9% y/y deviated from the flash estimate only slightly. USDRUB rose 2% to 78.5 owing to the falling oil price.

On the **domestic interest rate market** the front end was roughly stable with 2Y IRS rising by only 1bp to 0.26% while the respective bond yield fell 1bp to 0.03%. The 10Y IRS stayed unchanged at 0.98% and the 10Y bond yield rose 3bp to 1.33%. The 10Y PL-DE bond yield spread closed at 186bp.

At the Friday's tender, the **NBP sold** a record nominal amount of T-bills: PLN185.1bn. The previous record was recorded only two weeks ago at PLN178bn.

**This week**, the rising number of COVID-19 infections shall remain the core factor to watch. There are not many data releases on the agenda but we will see some publications from broad (like services PMI and ISM, some retail sales and output data) that could show how is the economic recovery doing. The Fed and ECB will release their minutes. In Poland, the MPC will hold a meeting, which is unlikely to bring any changes in monetary policy.

Services PMIs, pts.



Source: Refinitiv Datastream, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.4969	CZKPLN	0.1653
USDPLN	3.8339	HUFPLN*	1.2350
EURUSD	1.1732	RUBPLN	0.0492
CHFPLN	4.1771	NOKPLN	0.4085
GBPPLN	4.9565	DKKPLN	0.6083
USDCNY	6.7898	SEKPLN	0.4296

\*for 100HUF

### Last session in the FX market

02/10/2020

	min	max	open	close	fixing
EURPLN	4.477	4.508	4.481	4.503	4.494
USDPLN	3.816	3.853	3.828	3.847	3.837
EURUSD	1.169	1.174	1.170	1.170	-

## Interest rate market

02/10/2020

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

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.04	-2
PS0425 (5Y)	0.59	-1
DS1030 (10Y)	1.33	1

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.20	0.21	-0.53
2L	0.26	0.21	-0.50
3L	0.34	0.24	-0.49
4L	0.45	0.28	-0.47
5L	0.56	0.34	-0.44
8L	0.83	0.57	-0.33
10L	0.98	0.70	-0.24

## 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	0.23	2
3x6	0.19	2
6x9	0.18	1
9x12	0.19	1
3x9	0.22	1
6x12	0.23	2

## Measures of fiscal risk

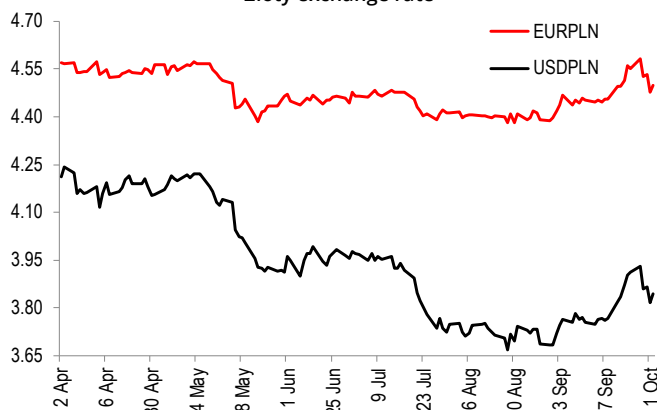
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	59	187
France	10	28
Hungary	72	291
Spain	56	76
Italy	89	133
Portugal	36	77
Ireland	18	37
Germany	9	-

\* 10Y treasury bonds over 10Y Bunds

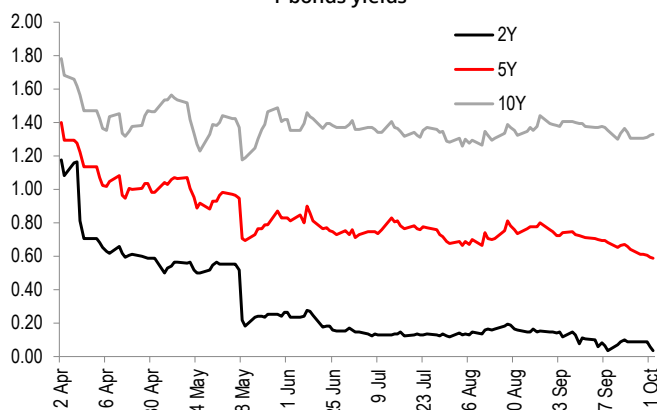
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

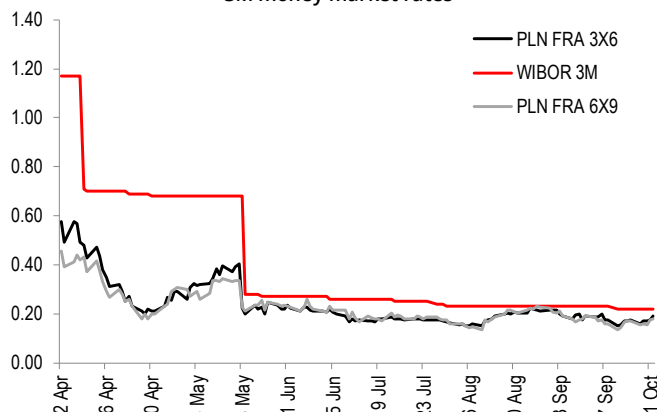
## Zloty exchange rate



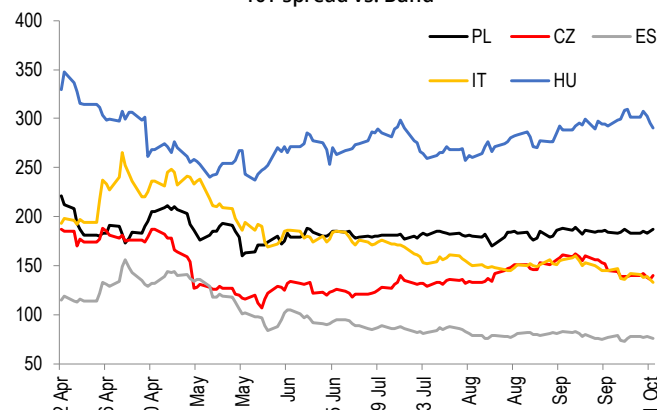
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (2 October)								
09:00	CZ	GDP SA	2Q	% y/y	-11.0	-10.9	-11.0	
11:00	EZ	Flash HICP	Sep	% y/y	-0.2	-0.3	-0.2	
14:30	US	Change in Nonfarm Payrolls	Sep	k	859.0	661.0	1489.0	
14:30	US	Unemployment Rate	Sep	%	8.2	7.9	8.4	
16:00	US	Michigan index	Sep	pts	79.0	80.4	78.9	
16:00	US	Durable Goods Orders	Aug	% m/m	0.4	0.5	0.4	
16:00	US	Factory Orders	Aug	% m/m	0.9	0.7	6.5	
MONDAY (5 October)								
09:55	DE	Markit Germany Services PMI	Sep	pts	49.1	-	49.1	
10:00	EZ	Eurozone Services PMI	Sep	pts	47.8	-	47.6	
11:00	EZ	Retail Sales	Aug	% m/m	2.5	-	-1.3	
16:00	US	ISM services	Sep	pts	56.3	-	56.9	
TUESDAY (6 October)								
08:00	DE	Factory Orders	Aug	% m/m	3.0	-	2.8	
09:00	HU	Industrial Production SA	Aug	% y/y	-3.0	-	-7.71	
WEDNESDAY (7 October)								
	PL	MPC decision		%	0.1	0.1	-	0.1
08:00	DE	Industrial Production SA	Aug	% m/m	1.95	-	-	1.2
09:00	CZ	Industrial Production	Aug	% y/y	-6.2	-	-	-4.9
20:00	US	FOMC Meeting Minutes	Sep.20		-	-	-	0.0
THURSDAY (8 October)								
03:45	CN	Caixin China PMI Services	Sep	pts	54.25	-	-	54.0
08:00	DE	Exports SA	Aug	% m/m	0.0	-	-	4.7
09:00	HU	CPI	Sep	% y/y	3.8	-	-	3.9
14:30	US	Initial Jobless Claims	Oct.20	k	850.0	-	-	837.0

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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