

6 October 2020

Eyeopener

Increased hopes for fiscal stimulus in the US

Markets gain in hopes of fiscal stimulus in the US
 US macroeconomic data beat expectations, Trump left the hospital
 EURPLN stable near 4.49
 Polish bond prices lower, following core markets
 Today industrial orders in Germany and production in Hungary

On Monday equity markets significantly gained after announcement (and later the fact) that President Donald Trump would leave hospital, and also after his tweet which markets read as a one increasing the likelihood of the US fiscal package deal. What's more, Joe Biden increased further his lead in the polls, which resulted in smaller investors' concerns that the outcome of the US presidential elections could lead to prolonged legal battles. At the end of the day the September ISM services significantly beat market expectations (as opposed to falling services indices in Europe). Core market yields noticeably increased (UST to 0.75%, by 5bp, Bund to -0.51% by 3bp) and were followed by yields in other countries, including Poland. What's interesting the dollar not only has not gained but even lost a bit – the dollar index fell 0.4% to 93.5. Commodities prices increased: gold, industrial metals and oil. August German factory orders published this morning increased well above expectations, which might even strengthen the core market yields rising trend which started yesterday.

According to the Labour Ministry, the **registered unemployment rate** remained at 6.1% in September, unchanged since June, and the number of jobseekers fell for the second month in a row. The data were again better than expected and show that the labour market reaction to the pandemic shock was surprisingly mild.

EURUSD started the week at 1.172 and was on the rise in the following hours reflecting the drop of the global risk aversion. The exchange rate reached daily peak at 1.18 and closed at 1.179 (+0.6%).

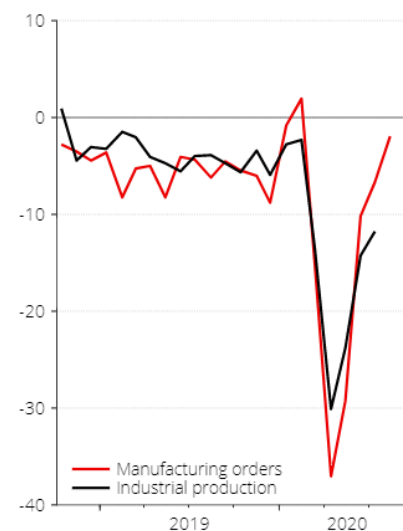
EURPLN was yesterday pretty stable after pretty volatile last week (which might have been related to the large IPO in Poland). On Monday, EURPLN opened at 4.497 and closed at 4.49. Changes of the global market mood should be the main driver for the zloty in the coming days.

In case of the **other CEE currencies**, EURHUF opened at 359 and was moving slowly towards below 358 but after strong US data it jumped to 360. After a short stabilization, we expect EURHUF to resume upward move towards its recent peak at 366. EURCZK, like EURPLN, was stable hovering around 27.1. USDRUB closed near its opening level at 78.2, but the intraday volatility was noticeable at 1.3%. No ruble appreciation despite 5% oil price rise is in our view a sign of a weakness and we keep our view of USDRUB moving towards 81 in the coming weeks.

On the **domestic interest rate market** the front end yields were trading near 0% while the long end moved up following the core markets. The 10Y bond yield closed +4bp at 1.36%. The 10Y PL-DE bond yield spread rose slightly to 187bp. The short-end of the IRS rose 3bp to 0.29%, belly +4bp to 0.60% and 10Y +7bp to 1.05%.

At the tomorrow's auction, the state-owned **BGK bank** will offer 5Y bonds FP0725 for PLN1-2.75bn.

German industrial production and manufacturing orders, % y/y



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	4.4919	CZKPLN	0.1654
USDPLN	3.8114	HUFPLN*	1.2388
EURUSD	1.1784	RUBPLN	0.0489
CHFPLN	4.1649	NOKPLN	0.4133
GBPPLN	4.9464	DKKPLN	0.6034
USDCNY	6.7898	SEKPLN	0.4280

*for 100HUF

Last session in the FX market

05/10/2020

	min	max	open	close	fixing
EURPLN	4.477	4.503	4.503	4.490	4.494
USDPLN	3.803	3.840	3.838	3.810	3.825
EURUSD	1.172	1.180	1.173	1.178	-

Interest rate market 05/10/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.05	1
PS0425 (5Y)	0.59	0
DS1030 (10Y)	1.36	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.20	1	0.22	1	-0.52	1
2L	0.29	3	0.22	1	-0.50	0
3L	0.38	4	0.27	3	-0.49	0
4L	0.50	5	0.33	5	-0.46	0
5L	0.61	5	0.40	6	-0.42	2
8L	0.90	7	0.66	9	-0.30	3
10L	1.05	7	0.79	8	-0.21	3

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	-3
3x6	0.18	-1
6x9	0.19	1
9x12	0.21	2
3x9	0.22	0
6x12	0.26	3

Measures of fiscal risk

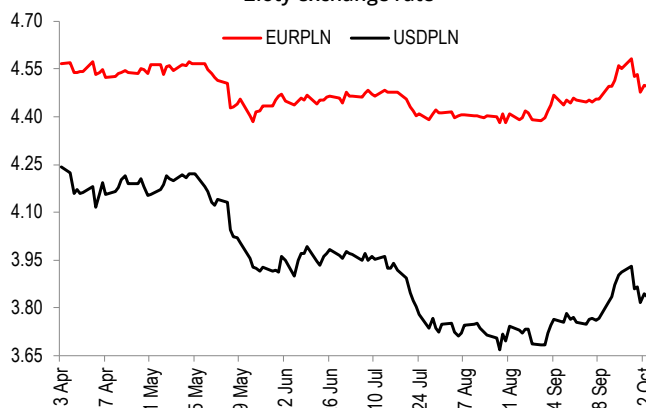
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	188	1
France	10	0	27	-1
Hungary	72	0	287	-4
Spain	55	-1	77	1
Italy	88	-1	131	-1
Portugal	36	0	76	-1
Ireland	18	0	37	0
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

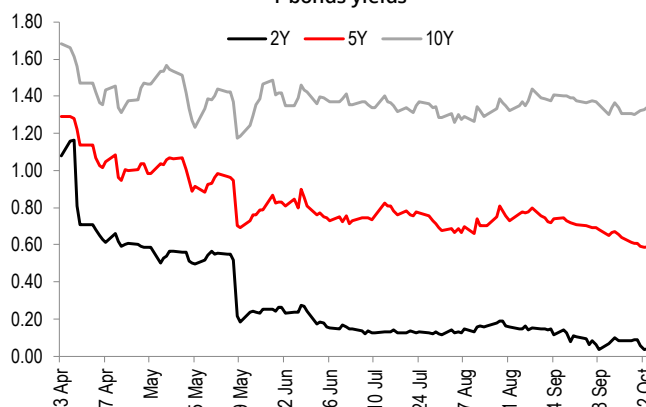
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

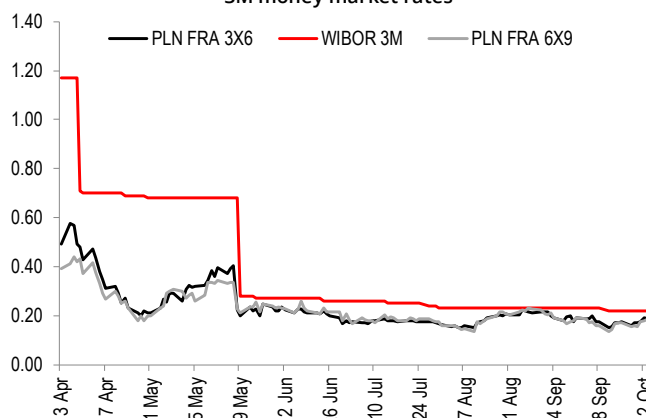
Zloty exchange rate



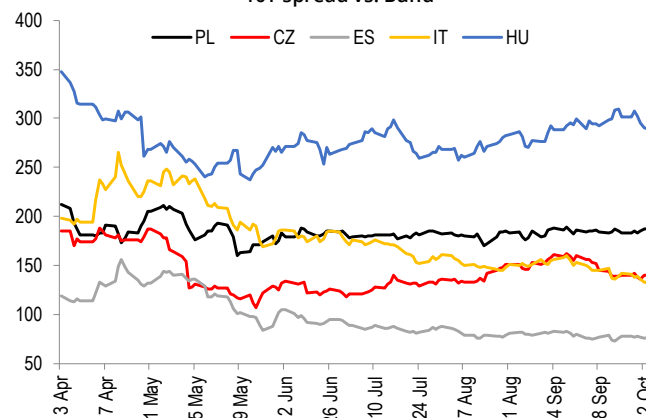
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

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		50.6	49.1
10:00	EZ	Eurozone Services PMI	Sep	pts	47.8		48.0	47.6
11:00	EZ	Retail Sales	Aug	% m/m	2.5		4.4	-1.8
16:00	US	ISM services	Sep	pts	56.2		57.8	56.9
TUESDAY (6 October)								
08:00	DE	Factory Orders	Aug	% m/m	3.0		4.5	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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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>.