

7 October 2020

Eyeopener

MPC meeting today

Day of rising stock markets and bond yields, ended with a correction
 EURPLN slightly lower at around 4.48
 Polish bonds stable, despite rising US yields
 Today German and Czech industrial production, MPC meeting in Poland

On Tuesday during the European session stock indices gained, albeit not more than 1%. The yield of the Bund was stable (-0.51%) while that of the US 10Y bond increased by another 2bp to 0.77%. On hopes that the agreement might be struck between Republicans and Democrats regarding the new US fiscal package. In the evening the situation has changed materially, however, after President Donald Trump tweeted, that he ordered to halt negotiations on the fiscal package till the election time. As a result the equity indices and the US 10Y bond yields fell, the latter to 0.74%. Most of the EM currencies, including the zloty, gained during the day vs the stable dollar. Precious and industrial metals, as well as oil price, all gained. The ECB President Christine Lagarde said that in the context of weakening post-pandemic economic recovery the central bank is ready to input more monetary stimulus into the economy, including further rate cuts. In the US, Fed President Jerome Powell repeated that without sufficiently big support from the fiscal side, the US economy risks weak recovery. US trade deficit rose to the biggest in 14 years. Today in the morning the German August industrial production data disappointed, after yesterday's better than forecast industrial orders.

On Tuesday President Andrzej Duda officially **approved changes in the government**. There are three deputy Prime Ministers: Jarosław Kaczyński (chair of PiS party, heading the Internal Affairs, Justice and Defence Committee), Piotr Gliński (head of Ministry of Culture, National Heritage and Sport as well as of Public Good Committee) and Jarosław Gowin (chair of Porozumienie, heading the Ministry of Development, Labour and Technology). Prime Minister Mateusz Morawiecki will be also heading the Ministry of Digitalisation, while Grzegorz Puda was nominated to head the Ministry of Agriculture.

We are expecting no changes in monetary policy at **today's MPC meeting** or until the end of 2021. Today in the evening we will get to see **FOMC minutes** from the September meeting and this document is likely to shed more light on details of the new central bank strategy.

EURUSD was very stable near 1.179 for the better part of the session and only in the afternoon dropped to 1.174 after information that talks about the US fiscal package were suspended. Today in the morning the exchange rate is near 1.174.

EURPLN started the day at 4.495 and closed slightly below 4.48 (-0.4%). USDPLN fell to 3.80, CHFPLN to 4.155 and GBPPLN to 4.93. After the evening global mood correction the zloty lost slightly but today in the morning EURPLN is again at 4.48. The changes of the market sentiment are likely to be the main drivers for the zloty amid light macro data calendar for today.

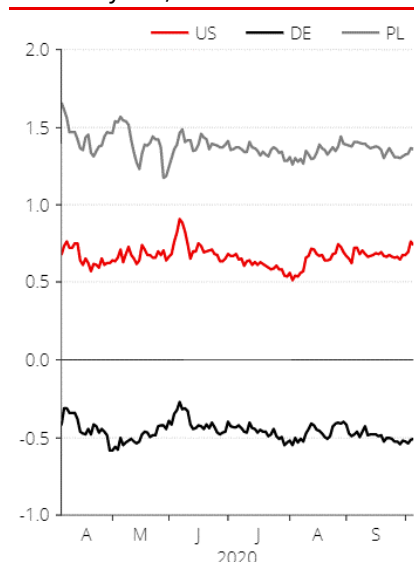
In case of the **other CEE currencies**, EURHUF opened at 360, reached the daily peak at 361 and closed back at 360 thanks to the decent Hungarian August industrial output data. EURCZK fell 0.6% to 26.87. The ruble basket was stable (just like a day earlier, which was quite unusual performance amid 4% oil price drop) and the weakening dollar helped USDRUB to fall to 78.1.

On the **domestic interest rate market** longer FRAs (21x24) rose by c3bp to 0.32% while the shorter ones were stable or even declined slightly, e.g. 9x12 to 0.20%. 3M WIBOR was at 0.22%. The IRS curve was stable on the short end (2Y to 0.29%) while the long end moved somewhat up (+1bp to 1.06%). The bond curve remained fairly stable (10Y yield at 1.36%) and spread vs Bund held at 186bp.

Today the auction of 5Y Covid-19 **BGG bonds** will take place, with maximum supply at PLN 2.25bn.

Ministry of Finance announced that tomorrow (Thursday, 8 October) it would organize a **switch auction** where it would purchase bonds of 5 series (DS1020, WZ0121, PS0421, OK0521, PS0721) while simultaneously sell bonds of other 5 series (OK0423, PS0425, WZ1126, WZ1129, DS1030).

10Y bond yields, %



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.4799	CZKPLN	0.1656
USDPLN	3.8170	HUFPLN*	1.2347
EURUSD	1.1737	RUBPLN	0.0488
CHFPLN	4.1583	NOKPLN	0.4081
GBPPLN	4.9211	DKKPLN	0.6019
USDCNY	6.7898	SEKPLN	0.4261

*for 100HUF

Last session in the FX market

06/10/2020

	min	max	open	close	fixing
EURPLN	4.476	4.499	4.492	4.485	4.496
USDPLN	3.796	3.823	3.811	3.808	3.818
EURUSD	1.176	1.181	1.179	1.178	-

Interest rate market

06/10/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.05	0
PS0425 (5Y)	0.60	0
DS1030 (10Y)	1.36	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.20	0	0.22	0	-0.52	0
2L	0.29	0	0.23	1	-0.50	0
3L	0.38	0	0.26	0	-0.49	0
4L	0.50	0	0.31	-3	-0.46	0
5L	0.62	1	0.37	-3	-0.44	-2
8L	0.91	1	0.62	-4	-0.32	-2
10L	1.06	2	0.75	-4	-0.23	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.13	1
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	0.21	1
3x6	0.19	0
6x9	0.19	0
9x12	0.20	0
3x9	0.22	0
6x12	0.23	-3

Measures of fiscal risk

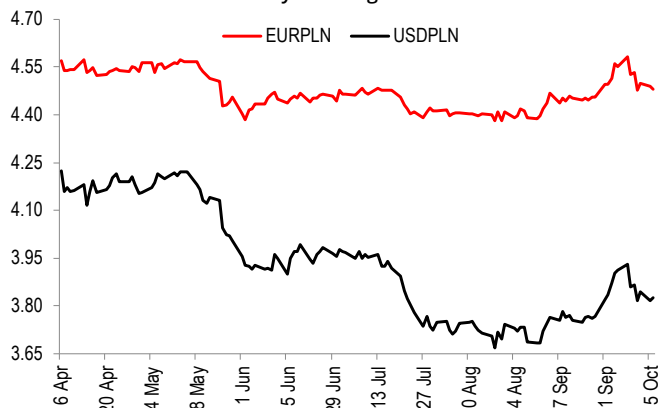
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	186	-1
France	10	0	26	-1
Hungary	72	0	290	3
Spain	53	-2	75	-2
Italy	87	-1	129	-2
Portugal	33	-2	75	-1
Ireland	18	0	36	-2
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

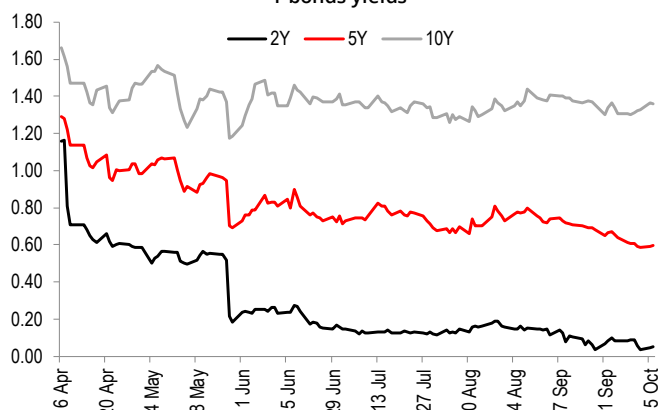
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

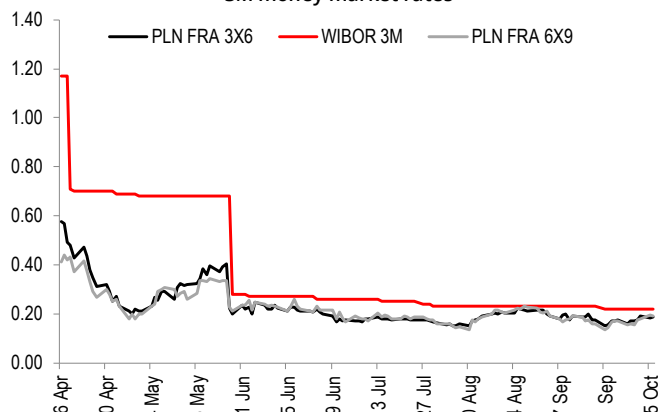
Zloty exchange rate



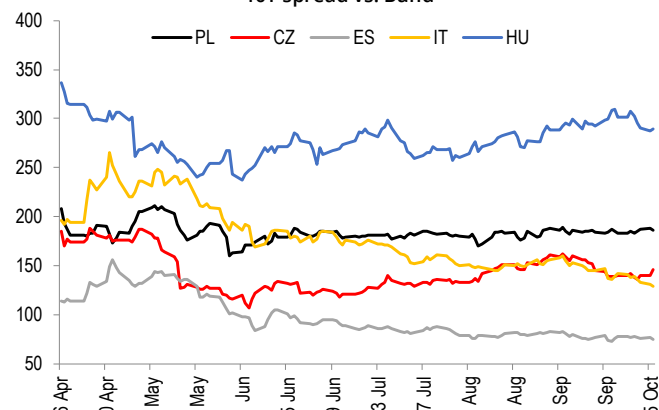
T-bonds yields



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	-3.1		-0.2	-7.3
WEDNESDAY (7 October)								
	PL	MPC decision		%	0.1	0.1	-	0.1
08:00	DE	Industrial Production SA	Aug	% m/m	1.9		-	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	54.3		-	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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