

9 October 2020

Eyeopener

Low EURPLN volatility persists

List of regional restrictions extended
 Optimism returned into stock markets
 EURPLN stable again, slightly below 4.49
 Polish government bonds slightly stronger, 10Y yield near 1.33%
 Today no important macroeconomic data

On Thursday optimism returned to the equity indices – main equity indices gained 1%. Bund yield slightly declined (to -0.52%, by 2bp) while that of the US 10Y Treasuries has not changed (0.77%). Emerging market currencies behaved in various ways – the Russian ruble gained the most, while the Turkish lira was the biggest loser. Gold remained unchanged at \$1890/ounce, while copper and oil became more expensive by 2%. German August current account improved somewhat, however the trade balance deteriorated markedly. In the US, the initial jobless claims increased more than expected. ECB minutes showed that the bank noticed the impact of the exchange rate on inflation expectations and suggests monitoring the trends in inflation expectations going forward.

The government updated its list of powiats (middle size local government units) with Covid-related restrictions. The new list will be valid from Saturday 10 October on. The red list contains 38 powiats covering 9.1% of Poland's population and 7.3% of PIT revenue. The yellow list contains all the remaining powiats. Our estimates based on card payments suggest that powiats from the restriction lists witness a decline in consumer spending, especially if it is the red zone. Based on that we estimate that the impact of new restrictions on GDP growth in 4Q20 could amount to -1 percentage point, assuming that they remain in place for the entire quarter (to get the weekly impact we have to divide by 13). In our view it is quite likely that restrictions will not hold for the entire quarter (during the first wave restrictions were eased after 2 months), but the size of the red zone is likely to expand in the weeks to come, as the number of new infections is skyrocketing. At the same time, some restrictions were tightened, so their impact could be somewhat stronger than our estimates based on state below 10 October. These changes include: in red zones restaurants will be able to operate in 6:00-22:00 timeframe, in yellow zones guest limit on family events (like weddings) will be moved down to 75 from 100 and masks are to be worn in all public places.

MPC member Łukasz Hardt said yesterday that without the NBP's bond purchases Polish economy would be in much worse situation than it is right now. He also said that the NBP's direct involvement in actions aimed at climate policies would be impossible without changing the NBP's mandate.

EURUSD for yet another day has barely moved. On Thursday both the open and close were close to 1.176, during the day the currency pair temporarily dropped to 1.173.

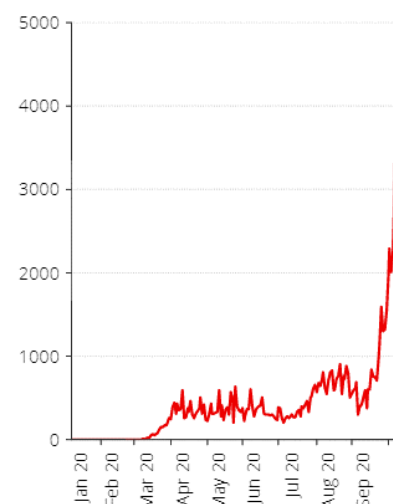
EURPLN volatility has been very low for a third day in a row. The 1-week (annualised) realized volatility dropped to just 3%. On Thursday EURPLN opened at 4.48 and closed near 4.49. The USDPLN closed at 3.82.

In case of the **remaining CEE currencies**, EURHUF fell 0.5% to 357.6 after the data showing that in September Hungarian inflation fell 0.5pp to 3.4%, more than expected. EURCZK rose 0.3% to 27.18 amid poor Czech data – retail sales fell 2.6% y/y in August, more than anticipated. USDRUB fell 0.8% to 77.5 and outperformed its EM peers.

On the **domestic debt market** Thursday was very calm with moderate trade volumes. The bond curve shifted 2-3bp down on the belly and long end amid strengthening on the core markets. IRS curve recorded similar changes, the biggest in the 5Y (-2bp to 0.58%) and 10Y (-2bp to 1.03%) tenors, the front end stayed unchanged at 0.26%.

At the switch auction, the Ministry of Finance sold OK0423, PS0425, WZ1126, WZ1129, DS1030 bonds for the total amount of PLN3.83bn and repurchased DS1020, WZ0121, PS0421, OK0521, PS0721 for the total amount of PLN3.77bn. After the auction, the Ministry of Finance announced that this year's borrowing needs are covered in 99% (according to the amended budget bill) and 2021 in 9%.

New daily Covid-19 cases in Poland



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.4863	CZKPLN	0.1647
USDPLN	3.8117	HUFPLN*	1.2542
EURUSD	1.1770	RUBPLN	0.0494
CHFPLN	4.1591	NOKPLN	0.4116
GBPPLN	4.9353	DKKPLN	0.6025
USDCNY	6.7109	SEKPLN	0.4303

*for 100HUF

Last session in the FX market

08/10/2020

	min	max	open	close	fixing
EURPLN	4.473	4.491	4.479	4.488	4.490
USDPLN	3.798	3.825	3.806	3.819	3.818
EURUSD	1.173	1.178	1.177	1.175	-

Interest rate market 08/10/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.03	-1
PS0425 (5Y)	0.56	-2
DS1030 (10Y)	1.33	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.19	0	0.21	-1	-0.53	0
2L	0.25	-1	0.24	0	-0.50	-1
3L	0.36	1	0.28	0	-0.49	-1
4L	0.47	0	0.33	0	-0.47	-1
5L	0.58	-2	0.41	0	-0.44	-2
8L	0.87	-1	0.66	-1	-0.32	-2
10L	1.02	-2	0.81	0	-0.23	-3

WIBOR rates

Term	%	Change (bps)
O/N	0.12	1
T/N	0.11	1
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	0.22	2
3x6	0.18	1
6x9	0.18	2
9x12	0.18	2
3x9	0.21	-1
6x12	0.22	1

Measures of fiscal risk

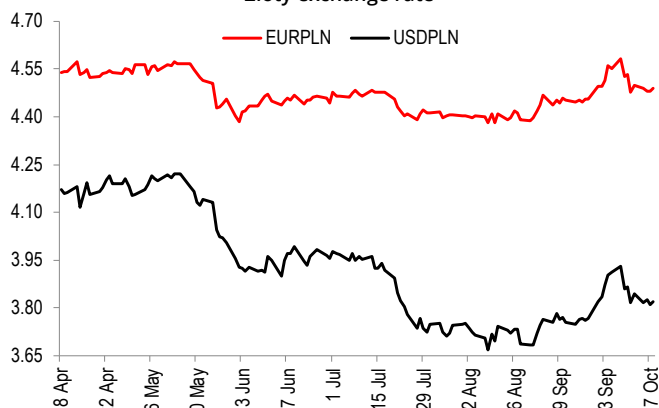
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	185	1
France	10	0	26	0
Hungary	72	0	287	-3
Spain	55	1	73	-1
Italy	87	0	128	0
Portugal	36	3	73	0
Ireland	18	0	35	0
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

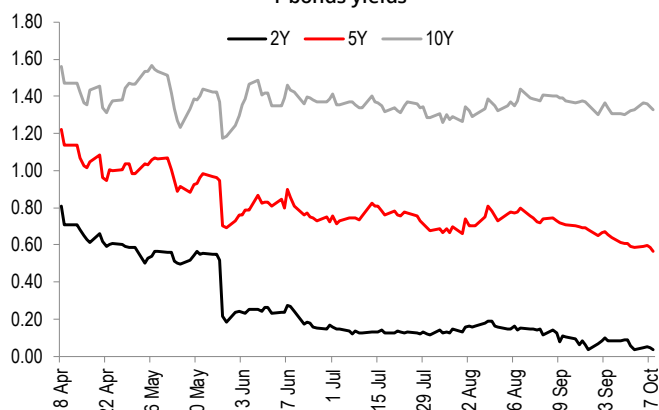
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

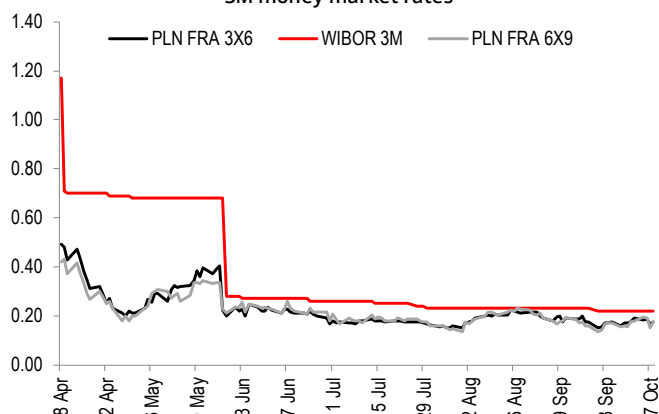
Zloty exchange rate



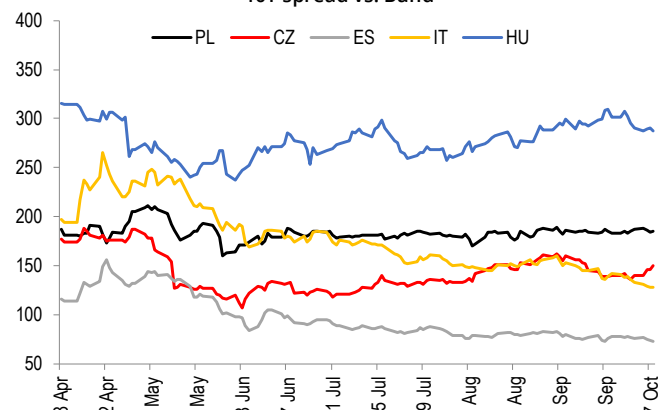
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDE R	ACTUAL VALUE	LAST VALUE*
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	0.1
08:00	DE	Industrial Production SA	Aug	% m/m	1.5		-0.2	1.4
09:00	CZ	Industrial Production	Aug	% y/y	-4.3		-8.0	-4.9
20:00	US	FOMC Meeting Minutes	Sep.20		-		-	0.0
THURSDAY (8 October)								
08:00	DE	Exports SA	Aug	% m/m	1.5		2.4	4.7
09:00	HU	CPI	Sep	% y/y	3.9		3.4	3.9
14:30	US	Initial Jobless Claims	Oct.20	k	820.0		840.0	849.0
FRIDAY (9 OCTOBER)								
03:45	CN	Caixin China PMI Services	IX	pts	54,3		54.8	54,0

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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