

12 October 2020

# Eyeopener

## Today CPI in Czech Republic

End of the week in decent mood  
 EURPLN falls, EURUSD rise at the end of the week  
 Polish bonds gain after core markets  
 Today Czech inflation data

On Friday the positive sentiment persisted on the global financial markets, although the scale of optimism was slightly smaller than in previous days. Equity indices in Europe were rising, but not to the extent to put a meaningful pressure on core markets bonds. In the FX market euro was gaining against dollar, EM currencies were also strengthening. Turkey's central bank increased TRY interest rate on the swap facility (from 10.25% to 11.75%), which was another move after the September's rate hike by 200bp (to 10.25%), aimed at stopping lira depreciation. On Friday the unexpected decision has sent USDTRY lower to 7.90 from the record 7.95, which was another factor supporting the regional currencies, apart from dollar depreciation. In China the PBoC attempted to stop the trend of yuan appreciation against dollar (already 4% since the start of the year) – on Saturday the bank abandoned the rule which was raising costs of betting against the yuan, and on Monday morning it fixed USDCNY higher.

On Friday the **NBP released minutes** from the September MPC meeting and its message was quite similar to the statement from Wednesday's MPC. Polish central bankers are expecting the economy to recover further, but the pace of this process will be limited by uncertainty about the development and effects of the pandemic, lower growth rate of household's incomes and weak business sentiment.

**EURUSD** climbed on Friday to 1.18 from 1.175 and set a new weekly maximum thanks to the global market optimism. This was the second week in a row of rising EURUSD and the euro has offset almost all losses suffered in the second half of September. The rate failed to stay above 1.17 support, returned to the 1.17-1.19 range valid in August.

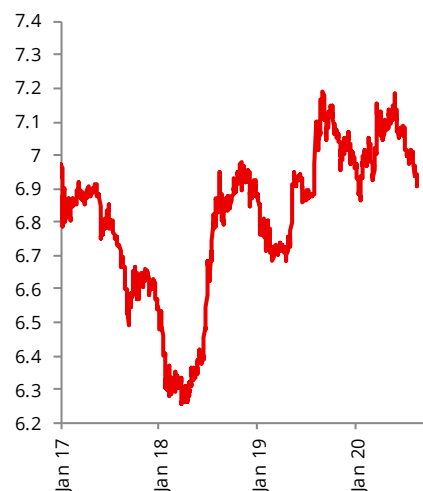
**EURPLN** and **USDPLN**, after a few days of stabilising at 4.48 and 3.82 recorded a decline to 4.46 and 3.78, respectively, setting new October lows. EURPLN fell below 4.48, which was limiting the exchange rate's upward potential in June and July. Today the rate starts the session at 4.468.

In case of the **remaining CEE currencies**, The other CEE currencies also gained at the end of the week. EURHUF fell for the third day in a row and at the end of the session was testing local low from early September at 356. The ruble benefited from the dollar depreciation and USDRUB fell to 76.7. The Czech koruna also strengthened despite the fact the from the start of this week new restrictions were imposed on the sport and cultural events in Czechia. EURCZK eased to 27.03 from 27.18, holding near its local peak at 27.26.

On the **domestic debt market** On the domestic interest rate market IRS and bond yields fell 1-4bp, with slightly bigger changes seen in case of the former. As a result, the 10Y bond yield eased to the lower end of 1.30-1.37% range in which it has been holding since final decade of September. Polish bonds benefited from stronger Bund and pause in UST yields rise. Noticeable drop of yields (4-5bp) was recorded also for the 10Y bonds of Italy Spain or Portugal.

**Calendar of data releases for this current week** is not particularly thick. In Poland we will see balance of payments data for August and inflation and core inflation data for September. Abroad, there will be a few inflation data releases (Czechia, USA, Eurozone), some production numbers (USA, Eurozone). Unless the economic data show major surprises, they are unlikely to determine market sentiment after the weekend. Investors will remain focused on: US presidential elections, chances of additional fiscal stimulus in the US, pandemic development and its impact on economic outlook. All those issues may be in the heart of discussions during the annual IMF/IIF meeting starting on Monday. Also, the IMF will release its new World Economic Outlook with the updated forecasts for world economy. EURPLN might remain stable at the start of the week and one of the external factors that could possibly trigger a bigger move may be a further rise in UST yields and the stronger dollar in anticipation of another US fiscal package. As far as the bond market is concerned, we expect horizontal trend on the long end of the curve.

### The dollar yuan exchange rate



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## FX market

### Today's opening

EURPLN	4,4658	CZKPLN	0,1648
USDPLN	3,7813	HUFPLN*	1,2407
EURUSD	1,1813	RUBPLN	0,0492
CHFPLN	4,1526	NOKPLN	0,4134
GBPPLN	4,9322	DKKPLN	0,6001
USDCNY	6,7167	SEKPLN	0,4293

\*for 100HUF

### Last session in the FX market

09.10.2020

	min	max	open	close	fixing
EURPLN	4,459	4,490	4,486	4,465	4,475
USDPLN	3,775	3,815	3,810	3,777	3,791
EURUSD	1,177	1,182	1,177	1,182	-

## Interest rate market 09.10.2020

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

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0,03	-1
PS0425 (5Y)	0,55	-1
DS1030 (10Y)	1,31	-2

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

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,18	-1	0,22	0	-0,53	0
2L	0,22	-3	0,24	1	-0,51	0
3L	0,31	-5	0,27	0	-0,50	0
4L	0,42	-4	0,33	0	-0,48	-1
5L	0,55	-3	0,41	0	-0,44	0
8L	0,84	-4	0,65	0	-0,32	0
10L	0,99	-3	0,80	-1	-0,22	0

### WIBOR rates

Term	%	Change (bps)
O/N	0,11	-1
T/N	0,12	1
SW	0,13	0
2W	0,17	0
1M	0,20	0
3M	0,22	0
6M	0,26	0
1Y	0,26	-1

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	0,20	-2
3x6	0,17	-1
6x9	0,17	-1
9x12	0,17	-1
3x9	0,20	0
6x12	0,20	-2

### Measures of fiscal risk

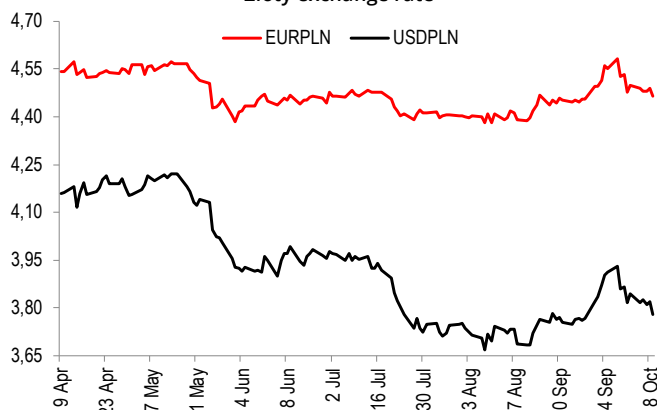
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	184	-1
France	10	0	26	0
Hungary	72	0	277	-10
Spain	55	0	70	-2
Italy	85	-2	125	-3
Portugal	36	0	72	-2
Ireland	18	0	35	0
Germany	8	-1	-	-

\* 10Y treasury bonds over 10Y Bunds

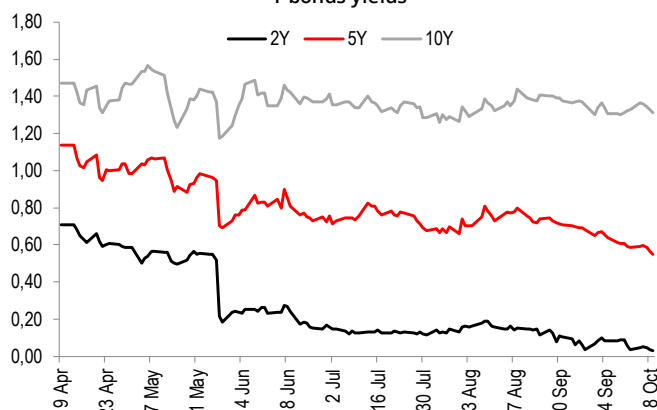
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

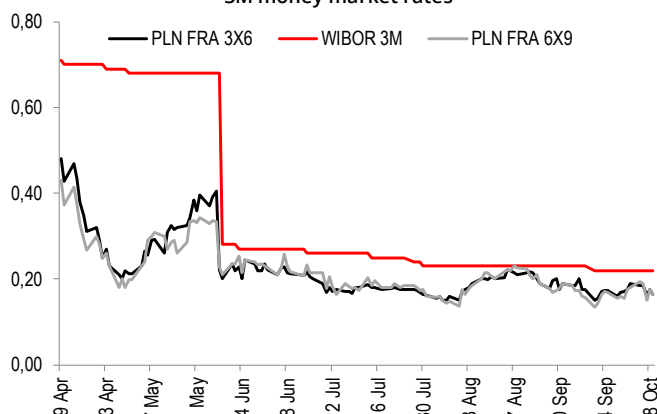
## Zloty exchange rate



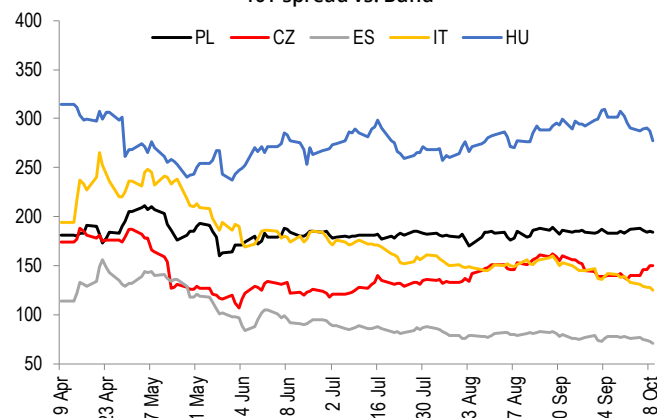
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Economic calendar								
TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (9 October)								
03:45	CN	Caixin China PMI Services	Sep	pts	54.3	-	54.8	54.0
MONDAY (12 October)								
09:00	CZ	CPI	Sep	% y/y	3.5	-	3.2	3.3
TUESDAY (13 October)								
08:00	DE	HICP	Sep	% m/m	-0.4	-		-0.4
11:00	DE	ZEW Survey Current Situation	Oct	pts	-63.0	-		-66.2
14:30	US	CPI	Sep	% m/m	0.2	-		0.4
WEDNESDAY (14 October)								
11:00	EZ	Industrial Production SA	Aug	% m/m	0.2	-		4.1
14:00	PL	Current Account Balance	Aug	€mn	1 020	1 440		1 590
14:00	PL	Trade Balance	Aug	€mn	921	649		969
14:00	PL	Exports	Aug	€mn	18 078	17 803		19 637
14:00	PL	Imports	Aug	€mn	17 338	17 154		18 668
THURSDAY (15 October)								
10:00	PL	CPI	Sep	% y/y	3.2	3.2		2.9
14:30	US	Initial Jobless Claims	week	k	820	-		840
14:30	US	Index Philly Fed	Oct	pts	14.5	-		15.0
FRIDAY (16 October)								
11:00	EZ	HICP	Sep	% y/y	-0.3	-		-0.3
14:00	PL	CPI Core	Sep	% y/y	4.2	4.2		4.0
14:30	US	Retail Sales Advance	Sep	% m/m	0.7	-		0.6
15:15	US	Industrial Production	Sep	% m/m	0.6	-		0.36
16:00	US	Michigan index	Oct	pts	80.0	-		80.4

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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