

14 October 2020

Eyeopener

IMF lowers world GDP forecast for 2021

Equity markets lower as fiscal package and vaccine fears persist
IMF increases GDP forecasts for 2020 however lowers the 2021 ones
Zloty and other CEE currencies loose
Polish yields lower and lower
Today Polish balance of payments

On Tuesday the global market mood cooled somewhat amid no progress in US stimulus package talks and risk that it will take longer to create an anti-covid vaccination. Moreover, German data was mixed. October ZEW index plummeted and the expectations sub-index surprised the upside only marginally. As a result, the European stock indexes fell, the dollar gained and the CEE currencies lost. The updated forecasts presented by the International Monetary Fund fitted the sour mood.

Yesterday the IMF released its updated economic forecasts. Compared to June, the Fund expects milder recession in 2020 and slower rebound in 2021. The main reasons behind the 2020 upside revision were better-than-expected 2Q GDP readings, faster recovery after the lockdown and stronger-than-assumed data released in 3Q. In 2021, main economies and the total world GDP are to grow slower than expected as the IMF assumes that the social distancing measures will remain in place. According to the Fund, the pandemic lowered the medium-term growth path for both developed and developing economies. As the same time, the IMF underlined that the risk to the 2021 forecasts is exceptionally high given the uncertainty regarding how the pandemic will evolve and how countries and central banks will respond.

EURUSD was easing slowly since the start of the day and the dollar appreciation trend gained steam when the US session started. As a result, EURUSD closed near 1.174 vs 1.18 at the opening. On Wednesday morning, the exchange rate is at 1.175.

EURPLN and **USDPLN** climbed yesterday markedly above 4.49 from 4.46 and 3.82 from 3.77, respectively. The zloty was under pressure of weaker global sentiment, stronger dollar but lost more than some CEE currencies (0.90%), which may have been due to the information that PM Mateusz Morawiecki is in quarantine. Today EURPLN started the session at 4.494 and USDPLN at 3.826.

In case of the **remaining CEE currencies** many of them weakened due to both global and local factors. The Czech government announced another tightening of restrictions to limit the coronavirus spread (like closing schools and restaurants), helping the EURCZK exchange rate to go up by 0.80%, break the September peak at 27.25 and hit 27.4, the highest level since mid-May. EURHUF rebounded by 0.90% above 360.0 while USDRUB was stable around 77.0. The ruble was quite stable yesterday despite the dollar appreciation and was supported by higher oil prices.

On the domestic interest rate market On the domestic interest rate market the bond curve shifted down by 3bps with 2Y bond down almost to zero and 10Y to 1.26% (August low was reached). IRS curve went up by 2bp. 10Y Bund yield fell by 2bp and tested the September low at -0.555%, while US Treasuries went down by 4bp to 0.73%. Yet, the US benchmark has not offset even a half of its losses from the first week of October.

Today at 14:00CET the NBP is to release August balance of payments data. In our view these are to show another month with a major surplus in foreign trade amid stabilising growth rate of exports.

IMF forecasts

GDP (% y/y), in brackets forecasts from June

	2020	2021
Poland	-3.6 (-4.6)	4.6 (4.2)
World	-4.4 (-5.2)	5.2 (5.4)
Euro zone	-8.3 (-10.2)	5.2 (6.0)
USA	-4.3 (-8.0)	3.1 (4.5)
China	1.9 (1.0)	8.2 (8.2)

Source: IMF, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.4962	CZKPLN	0.1639
USDPLN	3.8300	HUFPLN*	1.2324
EURUSD	1.1741	RUBPLN	0.0497
CHFPLN	4.1869	NOKPLN	0.4136
GBPPLN	4.9408	DKKPLN	0.6041
USDCNY	6.7387	SEKPLN	0.4332

*for 100HUF

Last session in the FX market

10/13/2020

	min	max	open	close	fixing
EURPLN	4.458	4.497	4.458	4.490	4.474
USDPLN	3.778	3.831	3.778	3.827	3.793
EURUSD	1.173	1.180	1.180	1.174	-

Interest rate market 10/13/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.02	-1
PS0425 (5Y)	0.51	-2
DS1030 (10Y)	1.27	-2

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.17	0.22	-0.53
2L	0.21	0.23	-0.51
3L	0.28	0.25	-0.51
4L	0.39	0.30	-0.49
5L	0.51	0.38	-0.46
8L	0.79	0.61	-0.34
10L	0.95	0.75	-0.25

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	0.25	0
1Y	0.26	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.18	-2
3x6	0.14	-2
6x9	0.14	0
9x12	0.14	0
3x9	0.17	-1
6x12	0.18	0

Measures of fiscal risk

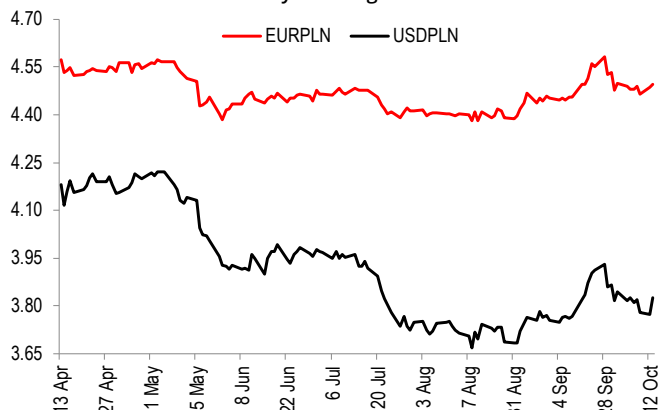
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	59	183
France	10	26
Hungary	65	281
Spain	55	70
Italy	83	122
Portugal	36	71
Ireland	18	34
Germany	7	-

* 10Y treasury bonds over 10Y Bunds

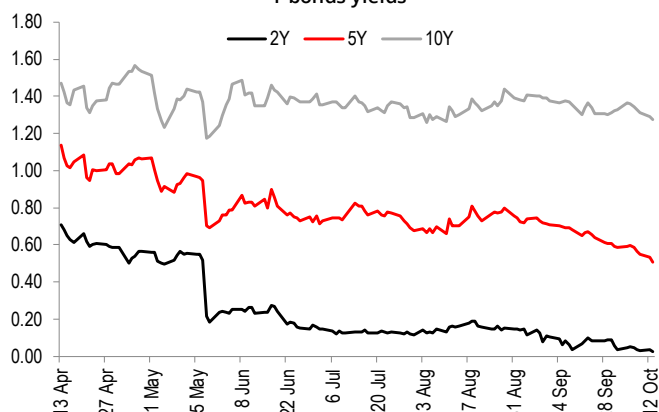
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

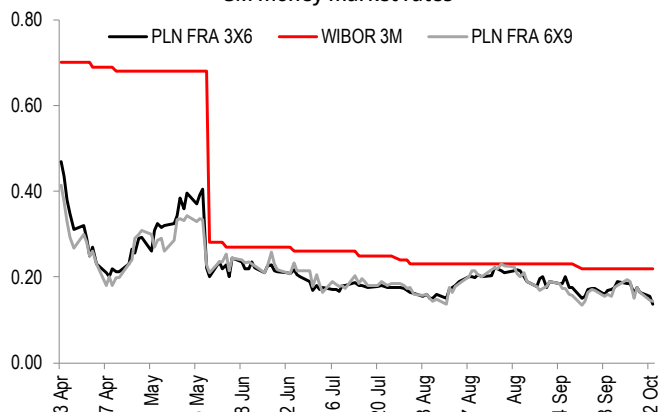
Zloty exchange rate



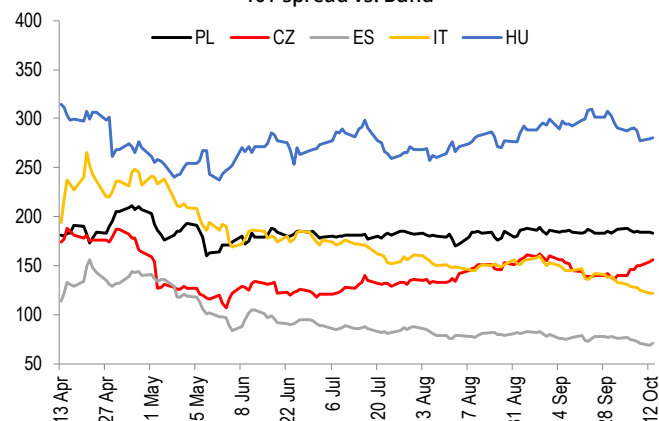
T-bonds yields



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	-0.4
11:00	DE	ZEW Survey Current Situation	Oct	pts	-63.0	-	-59.5	-66.2
14:30	US	CPI	Sep	% m/m	0.2	-	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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