

15 October 2020

Eyeopener

Today September inflation

Pessimism prevails on the markets
 EURPLN higher still, EUR slightly gains vs the dollar
 MPC's Sura: monetary policy should remain unchanged
 Polish bonds gain following Bund
 Today final September inflation, important US data

On Wednesday markets were dominated by sour moods present since Tuesday. Rising COVID-19 numbers were amplifying worries about tighter restrictions, while prospects for a vaccine or introduction of fiscal package in the USA remain distant. Yesterday G20 finance ministers announced that all available actions have to be taken to fight the pandemic. European stock markets fell again, thus supporting core market bonds, but the dollar gave away some of its gains.

MPC's Rafał Sura said yesterday that the Polish domestic currency needs currently no adjustments and should remain loose for a longer time in order to support the recovering economy. Sura stressed the importance of FX channel and underlined that weaker zloty is supporting the economic revival. In his view the weaker domestic demand due to higher unemployment rate and slower wage growth will drag inflation lower, towards 2.5% in the upcoming quarters.

August current account balance was at EUR947mn, roughly in line with market expectations. In line with our assumptions foreign trade turnover slowed down a bit: export to 0.8% y/y from 1.7% y/y and import to -5.1% y/y from -4.4% y/y. While September is likely to see some improvement in foreign trade, further month can witness a renewed slowdown given rising wave of new infections and tighter restrictions across Europe. 12m current account balance went up to 3.0% of GDP and we are expecting it to improve further.

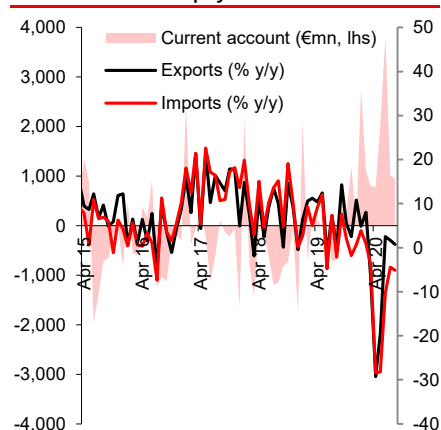
EURUSD fell temporarily below Tuesday minimum and hit 1.172, but at end of the day was back at 1.176. Since the last days of September the rate has moved in a slow upward trend and returned to 1.17-1.19 after a temporary break of the lower border of this band. This morning the rate is oscillating around 1.175.

EURPLN and **USDPLN** rose for the second day in a row to 4.515 and 3.84, respectively. The bigger move was recorded in case of the former since depreciation vs the dollar was curbed by higher EURUSD. Next to the poor mood on the equity market, the zloty could have been pressured by information of a yet another record-high daily COVID-19 cases in Poland (yesterday more than 6.5k). In case of the other CEE currencies, the forint and ruble lost while the koruna gained slightly. Russia recorded high number of new coronavirus cases (13.5k) and in Czechia the second-highest number of new cases was detected (again more than 8k). Today in the morning, EURPLN opens up at 4.523 and USDPLN at 3.85 – we think the upside move may continue during the day.

On the domestic interest rate market yield's down trend was continued and yesterday IRS rates joined this move and more than neutralized the Tuesday's rise. Yesterday the 10Y bond reached important support at the August low of 1.26%. Bund broke the lower end of the -0.55/-0.50% range and this may be supportive for the domestic bonds in the short term.

Yesterday the central bank repurchased bonds for PLN1.32bn, out of which PLN1.15 were covid-bonds issued by state owned BGK bank. This was the only repurchase auction planned for October. After the yesterday's auction, size of the Polish QE program rose above PLN105bn.

Poland balance of payments



Source: NBP, 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	4.5274	CZKPLN	0.1634
USDPLN	3.8563	HUFPLN*	1.2428
EURUSD	1.1739	RUBPLN	0.0495
CHFPLN	4.2048	NOKPLN	0.4164
GBPPLN	5.0105	DKKPLN	0.6061
USDCNY	6.7242	SEKPLN	0.4354

*for 100HUF

Last session in the FX market

10/14/2020

	min	max	open	close	fixing
EURPLN	4.483	4.517	4.492	4.516	4.496
USDPLN	3.818	3.853	3.825	3.842	3.830
EURUSD	1.172	1.177	1.174	1.175	-

Interest rate market 10/14/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.02	-1
PS0425 (5Y)	0.49	-2
DS1030 (10Y)	1.27	0

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.16	0.22	-0.53
2L	0.19	0.22	-0.52
3L	0.25	0.26	-0.51
4L	0.36	0.31	-0.50
5L	0.48	0.38	-0.47
8L	0.76	0.61	-0.36
10L	0.92	0.75	-0.27

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.09	-1
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	0.19	1
3x6	0.15	1
6x9	0.12	-2
9x12	0.12	-3
3x9	0.18	1
6x12	0.15	-3

Measures of fiscal risk

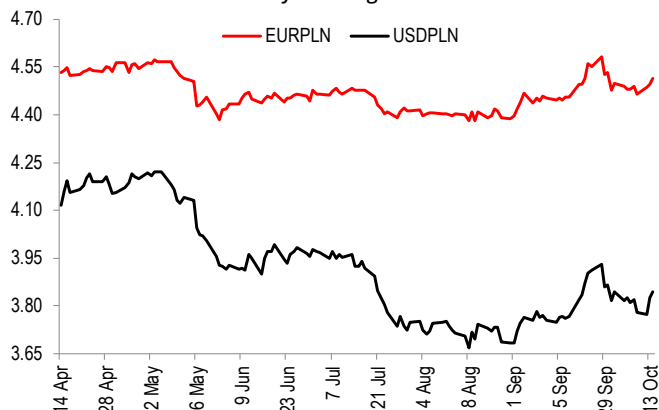
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	60	184
France	10	27
Hungary	64	286
Spain	56	71
Italy	84	123
Portugal	38	71
Ireland	18	34
Germany	7	-

* 10Y treasury bonds over 10Y Bunds

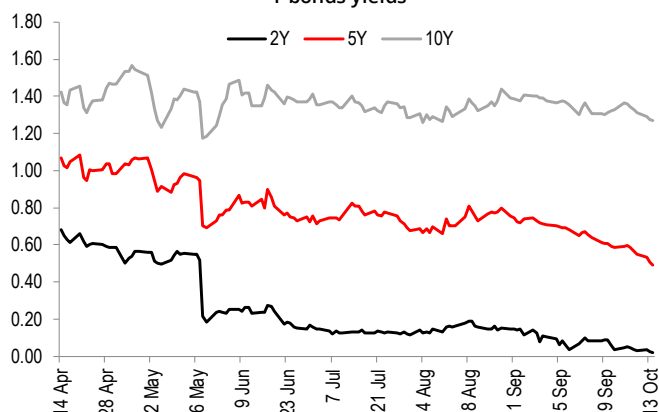
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

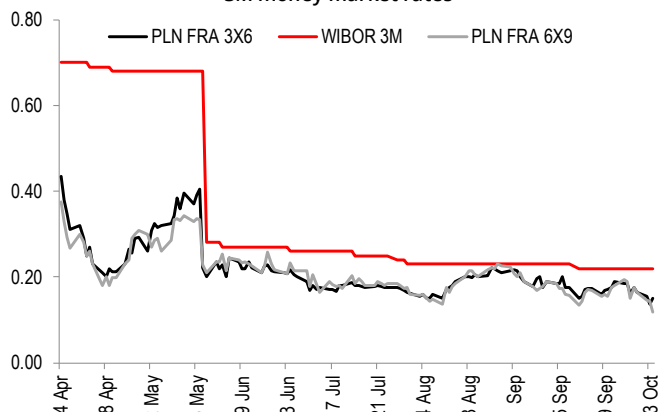
Zloty exchange rate



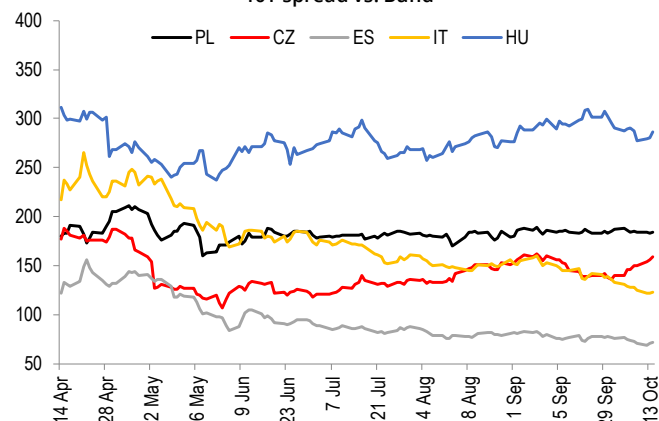
T-bonds yields



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	0.8	-	0.7	5.0
14:00	PL	Current Account Balance	Aug	€mn	1 020	1 440	947	1 012
14:00	PL	Trade Balance	Aug	€mn	921	649	735	818
14:00	PL	Exports	Aug	€mn	18 078	17 803	17 730	19 553
14:00	PL	Imports	Aug	€mn	17 338	17 154	16 995	18 735
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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.