

16 October 2020

Eyeopener

Today core inflation

Risk aversion intensifies
Zloty weakens, dollar gains
Polish bonds even stronger
Today core inflation in Poland, abroad important US data

Thursday's session saw a deterioration of global market sentiment. After a moderate risk aversion observed in the previous days, yesterday the pessimism has clearly risen. Stock market indices in Europe were clearly falling while bonds were gaining, and EM currencies were depreciating. Apart from diminishing chances of approval of the US next fiscal stimulus package, there were also news about smaller chances for quick development of vaccine and reinforced worries about introduction of further restrictions to slow down the coronavirus spread. US data were mixed. On one hand, weekly number of new jobless claims was higher than expected, on the other hand the October's Philadelphia Fed index clearly surprised to the upside.

Polish government tightened anti-Covid restrictions that will be effective since October 17. The red zone will be enlarged to 152 from 38 powiats and will include most of the big cities, including 11 voivodeship – the area with nearly 50% of Polish population. Restrictions in red zone include, among others, high-schools and universities switch to on-line classes, number of people in stores will be limited to 5 people per cash desk, it is forbidden to organize any events, gyms, swimming pools and aqua parks are closed, restaurants are opened from 6AM to 9PM. In yellow zone, high-schools and universities switch into the hybrid mode and only 25 persons will be allowed to participate in events.

Poland September CPI was confirmed at 3.2% y/y versus 2.9% y/y in August, with core inflation being the main culprit behind this jump. Core inflation ex food and energy prices most probably went up to 4.2-4.3% y/y (the central bank will release data today at 14:00CET), driven by higher prices in communication services as well as in culture and recreation (higher TV prices). We are expecting inflation to go down in the months to come, to 2.5% y/y at the year-end, driven by weaker demand pressure amid slowing economic recovery in 4Q20 and downward pressure of meat prices.

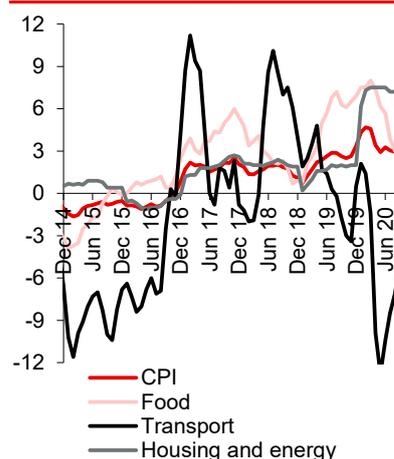
At the end of the Polish session **EURUSD** tested the support at 1.17, where it got from 1.175 at the start of the day. Once, in mid-September, the rate has already broken 1.17, but failed to stay below this level for good and now is taking another attempt. Its success depends on persistence of sour market sentiment.

EURPLN and **USDPLN** climbed for the third day in a row and posted the most considerable rise of the week. The zloty has temporarily reached 4.56 per euro and 3.90 per dollar, in both cases these were the highest levels in October. This week the domestic currency lost almost PLN0.10 to the euro and PLN0.15 to the dollar. Today EURPLN started the session at 4.558 and USDPLN at 3.894.

The **remaining CEE currencies** also lost, but less than the zloty. EURCZK rose to 27.32 (+0.31%) and EURHUF temporarily above 365 (+0.65%, it closed near 364, +0.2%). The ruble lost somewhat more when USDRUB rose to 78.2 (+0.8%, EURRUB: +0.40%). The ruble was pressured by the stronger dollar, falling oil price and decision of the EU and UK to impose sanctions on six top Russian officials. This was a response to an attempt of poisoning Alexei Navalny.

On the domestic interest rate market IRS rates and bond yields went further down on the middle and longer end (by 1-3bp). Yield of Polish 10Y broke 1.25% and slid below support at 1.26% established in August. Another important level in 1.17% set in May, the lowest level ever. Yields of 10Y Bund fell by 6bp to -0.62%, the lowest since March, sending the Poland-Germany bond spread up by 4bp to 188bp.

Poland inflation (% y/y)



Source: GUS, Santander Bank Polska

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
Piotr Bielski +48 22 534 18 87
Marcin Luzziński +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	4.5591	CZKPLN	0.1646
USDPLN	3.8982	HUFPLN*	1.2358
EURUSD	1.1696	RUBPLN	0.0500
CHFPLN	4.2536	NOKPLN	0.4164
GBPPLN	5.0204	DKKPLN	0.6061
USDCNY	6.7214	SEKPLN	0.4354

*for 100HUF

Last session in the FX market						10/15/2020
	min	max	open	close	fixing	
EURPLN	4.519	4.561	4.520	4.551	4.555	
USDPLN	3.845	3.900	3.846	3.891	3.890	
EURUSD	1.169	1.176	1.175	1.170	-	

Interest rate market 10/15/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.01	-1
PS0425 (5Y)	0.48	-1
DS1030 (10Y)	1.27	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.13	-3	0.22	0	-0.53	0
2L	0.16	-2	0.23	0	-0.52	0
3L	0.22	-3	0.26	0	-0.52	0
4L	0.32	-4	0.31	0	-0.50	-1
5L	0.45	-3	0.39	1	-0.48	-1
8L	0.72	-4	0.62	1	-0.37	-1
10L	0.89	-4	0.76	1	-0.29	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.10	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	0.16	-2
3x6	0.13	-3
6x9	0.11	-1
9x12	0.10	-1
3x9	0.16	-2
6x12	0.14	-1

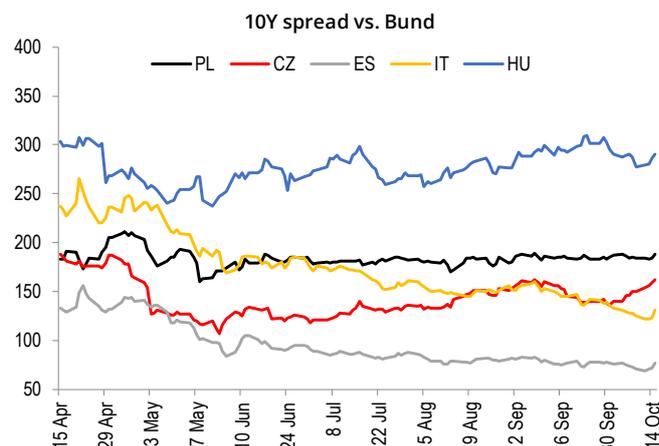
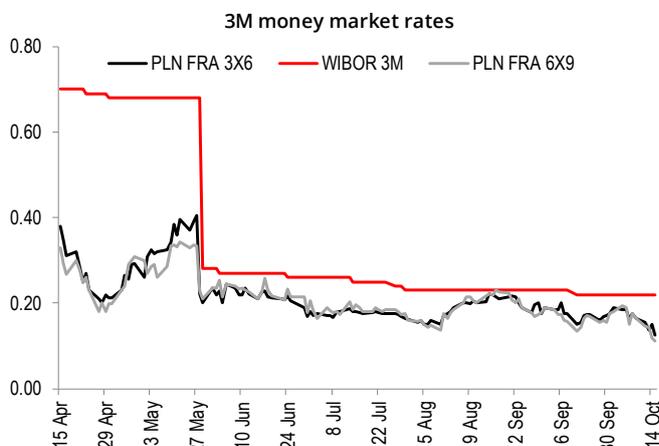
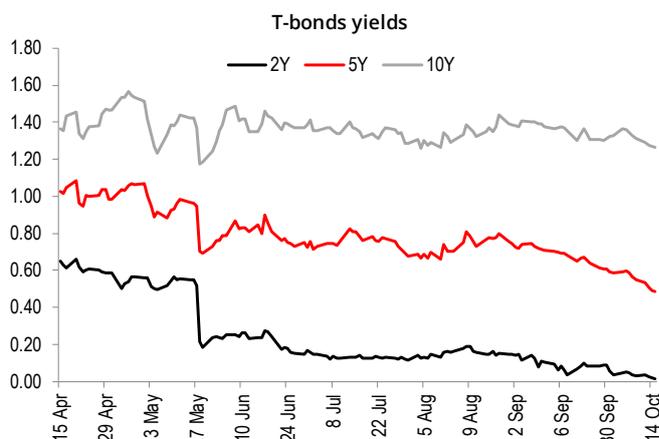
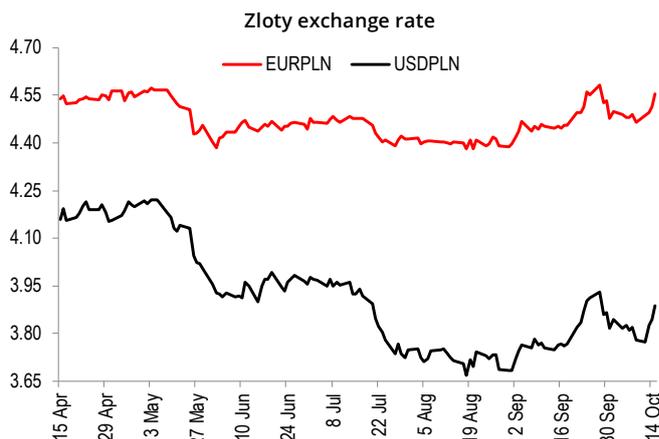
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	60	0	188	4
France	10	-1	28	1
Hungary	64	0	290	4
Spain	60	3	76	5
Italy	93	9	131	8
Portugal	41	2	77	6
Ireland	18	0	37	2
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



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				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	3.2	2.9
14:30	US	Initial Jobless Claims	week	k	820	-	898	845
14:30	US	Index Philly Fed	Oct	pts	14.5	-	32.3	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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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.