

19 October 2020

Eyeopener

Today wages and employment data

Stocks gain after better than expected US data
 EURPLN unchanged near 4.55
 Polish bonds lose, 10Y at 1.28%
 Today in Poland wages and employment data

On Friday stock markets trimmed Thursday's large losses already at the opening, and during the day were rising further amid, among others, better than expected US data. German Bund yield fell to -0.63%, its lowest since March 2020. Meanwhile, yield of 10Y UST rose to 0.74% due to better than expected data about retail sales and Michigan consumer confidence. Dollar remained quite stable, similarly to gold and copper, only silver price went up a bit.

On Friday a **meeting of Economic Emergency Staff** was held, with PM Mateusz Morawiecki, Deputy PMs Jarosław Gowin and Jacek Sasin, Finance Minister Tadeusz Kościński, NBP governor Adam Glapiński, Polish Development Fund head Paweł Borys and state-owned BGK bank CEO Beata Daszyńska-Muzycka taking part. The discussion focused on the instruments and additional forms of support to companies and sectors that have limited ability to create income due to the pandemic as well as ways to secure jobs in these sectors. This morning government spokesman Piotr Müller said that this week support plans will be released covering some of the sectors that are affected by the new restrictions.

Core inflation excluding food and energy rose in September to 4.3% y/y, returning to its local peak from July (highest since 2001). Other measures gave mixed signals: 15% trimmed mean was stable at 3.2%, CPI ex most volatile prices fell to 3.2%, CPI ex administered prices rose to 2.3% y/y. The latter measure remains much lower than others and near its two-year low, suggesting that main factor behind the recent inflation spike was not the surge of market-driven prices but rather administrative fees (waste management, for example). We keep predicting inflation to do down in the coming months and quarters, with core CPI ex food and energy likely to be below 2% for the better part of 2021.

EURUSD after opening at 1.172 increased just a bit to 1.175. However at the end of the day, it was back near the level from the start of the session. Such a low daily volatility suggests the lack of market conviction regarding the next direction of the move and makes it plausible that the exchange rate will follow the pandemic-related situation closely.

EURPLN increased to 4.58 (+0.6%) from 4.55 on Friday but the better than expected US data made the exchange rate to correct back lower and close the day at 4.547. USDPLN had a similar volatility – after having increased to 3.90, closed the week at 3.881.

As to the other regional currencies, their behaviour varied. EURHUF remained exceptionally calm and closed at 364.4 without noticeable changes. EURCZK declined by 0.3% to 27.25 after September PPI showed a decline of just -0.4% y/y – 0.2pp higher versus market expectations. USDRUB hovered around 78.0 with low volatility awaiting the start of another OPEC+ (OPEC and Russia) meeting scheduled to start today.

On the domestic interest rate market the short end of the curve saw some rebound, with 2Y IRS going up to 0.2% after declines on Thursday. 2Y bond yield slid to zero and FRA9x12 are about 10bp below WIBOR3M. 10Y bond yield climbed to 1.28% after reaching a multi-week low one day before and spread to German 10Y bond widened to over 190bp.

This week there will be many September data releases in Poland. Today we will get readings about labour market and in the following days industrial output and retail sales (our estimates are below consensus for both) among others. Abroad, focus is likely to be on flash October PMIs. We think the data will be less important market-wise than information on the spread of the pandemic. Worsening Covid-19 stats in Poland may mean that even with global sentiment calming down the zloty could stay under pressure. We also see a possibility of deepening of the decline of Polish government bond yields.

EURPLN since the start of 2020



Source: Bloomberg, Santander Bank Polska

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FX market

Today's opening

EURPLN	4,5417	CZKPLN	0,1646
USDPLN	3,8782	HUFPLN*	1,2458
EURUSD	1,1709	RUBPLN	0,0498
CHFPLN	4,2351	NOKPLN	0,4142
GBPPLN	5,0158	DKKPLN	0,6061
USDCNY	6,6977	SEKPLN	0,4386

*for 100HUF

Last session in the FX market

16.10.2020

	min	max	open	close	fixing
EURPLN	4,538	4,580	4,555	4,544	4,562
USDPLN	3,871	3,905	3,893	3,879	3,898
EURUSD	1,169	1,175	1,170	1,172	-

Interest rate market 16.10.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0,02	0
PS0425 (5Y)	0,49	1
DS1030 (10Y)	1,28	2

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0,14	0,21	-0,53
2L	0,18	0,23	-0,53
3L	0,24	0,26	-0,52
4L	0,35	0,32	-0,51
5L	0,47	0,40	-0,48
8L	0,75	0,63	-0,38
10L	0,91	0,77	-0,30

WIBOR rates

Term	%	Change (bps)
O/N	0,10	1
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	0,16	0
3x6	0,13	0
6x9	0,11	0
9x12	0,11	0
3x9	0,16	0
6x12	0,15	0

Measures of fiscal risk

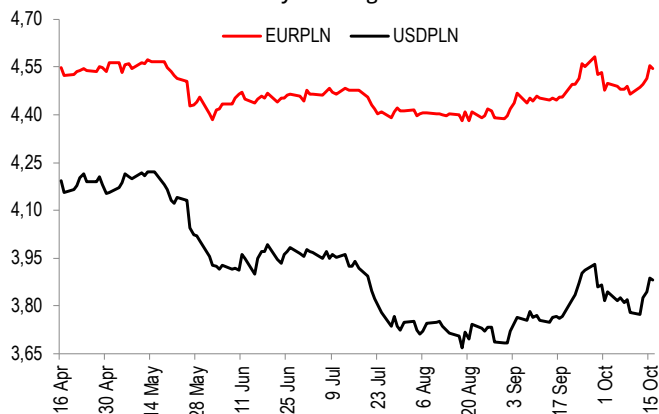
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	60	191
France	10	28
Hungary	64	291
Spain	58	75
Italy	88	128
Portugal	38	75
Ireland	18	37
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

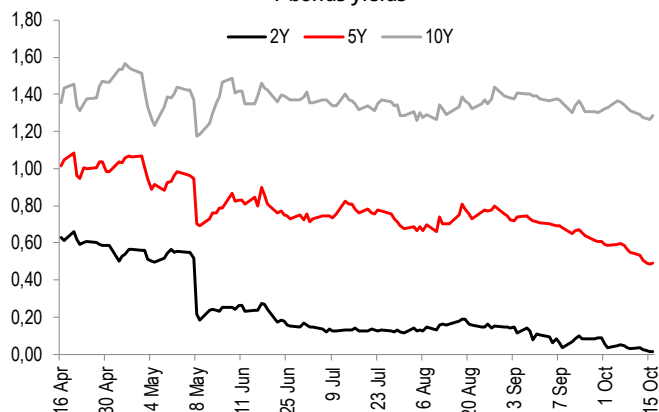
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

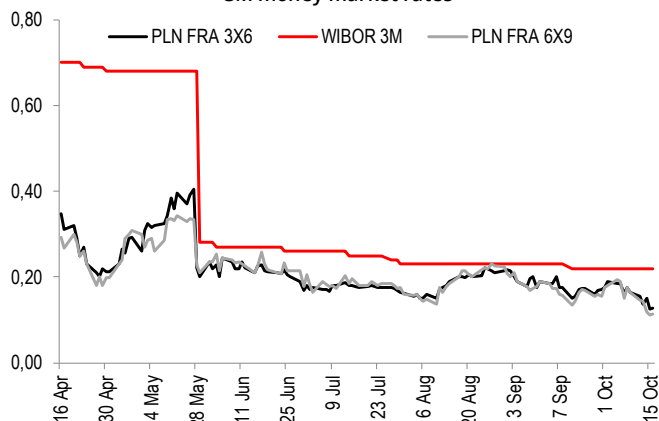
Zloty exchange rate



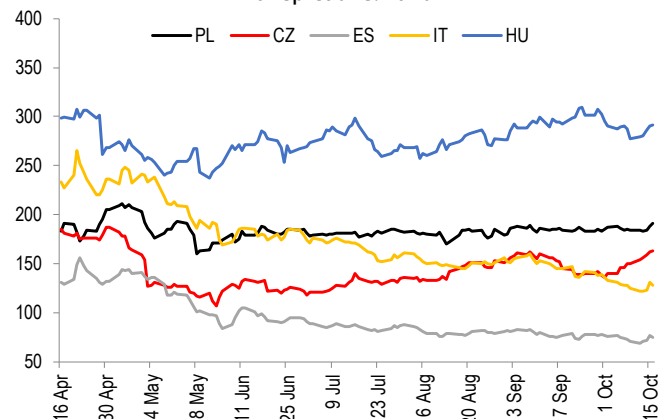
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (16 October)								
11:00	EZ	HICP	Sep	% y/y	-0.3	-	-0.3	-0.2
14:00	PL	CPI Core	Sep	% y/y	4.2	4.3	-4.3	4.0
14:30	US	Retail Sales Advance	Sep	% m/m	0.8	-	1.9	0.6
15:15	US	Industrial Production	Sep	% m/m	0.5	-	-0.6	0.4
16:00	US	Michigan index	Oct	pts	80.5	-	81.2	80.4
MONDAY (19 October)								
10:00	PL	Employment in corporate sector	Sep	% y/y	-1.1	-1.0		-1.5
10:00	PL	Average Gross Wages	Sep	% y/y	4.3	4.8		4.1
TUESDAY (20 October)								
10:00	PL	Sold Industrial Output	Sep	% y/y	3.7	3.1		1.5
10:00	PL	PPI	Sep	% y/y	-1.5	-1.4		-1.2
14:00	HU	Central Bank Rate Decision		%	0.6	-		0.6
14:30	US	Housing Starts	Sep	% m/m	2.54	-		-5.1
WEDNESDAY (21 October)								
10:00	PL	Construction Output	Sep	% y/y	-11.15	-15.1		-12.1
10:00	PL	Retail Sales Real	Sep	% y/y	2.6	0.3		0.5
THURSDAY (22 October)								
14:00	PL	Money Supply M3	Sep	% y/y	16.2	15.6		16.2
14:30	US	Initial Jobless Claims	week	k	825	-		898
16:00	US	Existing Home Sales	Sep	% m/m	3.33	-		2.39
FRIDAY (23 October)								
09:30	DE	Flash Germany Manufacturing PMI	Oct	pts	55.25	-		56.4
09:30	DE	Flash Markit Germany Services PMI	Oct	pts	49.75	-		50.6
10:00	EZ	Flash Eurozone Manufacturing PMI	Oct	pts	53.0	-		53.7
10:00	EZ	Flash Eurozone Services PMI	Oct	pts	47.0	-		48.0
10:00	PL	Unemployment Rate	Sep	%	6.1	6.1		6.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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