

20 October 2020

Eyeopener

Zloty weakens further

Markets stable awaiting fiscal package deal

EURPLN up to 4,57

Polish bonds gain, 10Y yield at 1.28%

Today in Poland industrial output, in Hungary central bank decision

On Monday most of stock indexes changed by less than 0.5% and the low volatility was due to markets waiting for more news on US fiscal stimulus talks (the news is to come today). The dollar lost c.0.4%, 10Y Treasury yield rose by 1bp to 0.77% and Bund was unchanged (-0.62%). In Europe the August data about construction output surprised positively, in the USA the sentiment on the real estate market improved even more.

In September, Polish corporate sector employment decreased by -1.2% y/y vs -1.5% previously. This is slightly worse than expected by the market, -1.1%, and by us, -1.0%. On the other hand wage growth surprised positively, rising to 5.6% y/y from 4.1%, vs market consensus of 4.3% and our 4.8% call. The GUS report indicated that the process of restoring full-time employment continued to push up statistics but the recovery of the labour market occurred at a weaker pace than in previous months. In m/m terms the 0.6% rise of wages was the strongest for September since 2015, and in the previous years negative readings were more common. As a result corporate sector wage bill started growing again in real terms, +1.2% y/y (the first positive reading since April), but we are not sure how such a strong rebound could hold with the Polish economy likely to yield again to the strong wave of coronavirus cases, which could soften all economic activity readings down the road. It seems this was the last of positive surprises from the labour market for some time, and activity in 4Q will be reduced by the pandemic and the new related restrictions.

NBP governor Adam Glapiński said that for the time being, despite the significant drop of credit growth NBP does not see credit crunch. He judged that so far banks were little interested with discount bill credit (provided as one of the anti-crisis measures). In his view this means that other tools, like the direct support from government shields were enough. **MPC's Eryk Łon** wrote in an article that, among others, further easing of monetary policy is possible, but currently it is not necessary. He stressed the need to be aware and act flexibly. He expressed an opinion that NBP's fx reserves could be invested in stocks and bonds. This morning **Grażyna Ancyparowicz** told PAP that interest rates are likely to remain stable until the end of the MPC term. In her view further rate cuts would be ineffective, and it is way too soon for rate hikes.

Michał Dworczyk who is heading the Chancellery of the Prime Minister said yesterday evening that it is impossible to clearly state whether the next shutdown of the economy (the same as during the first wave of the pandemic) will be announced soon. He added, that health of the citizens is very important for the government however one should also take into consideration the economy as a whole (which was hit significantly in H1 2020).

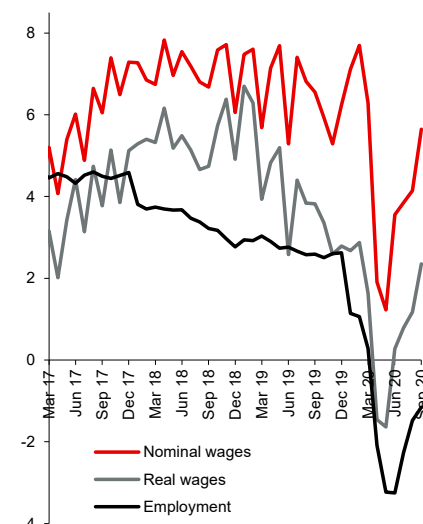
EURUSD increased abruptly and significantly to 1.178, by 0.5%. As a result the currency pair found itself on the 50-day moving average.

EURPLN gave back the whole fall from the Friday afternoon and on Monday increased by 0.8% to 4.576. The move might have been exacerbated by the news about the self-quarantine of the PiS Jarosław Kaczyński as well as Health Minister's warning about likely number of cases rising to 15-20k daily as soon as next week. EURPLN is currently near 4.60 and we think that the level will be tested in the coming days. The worsening Covid-related situation makes the break higher more likely.

On the CEE market: EURHUF climbed by 0.4% to 365.9 and we are expecting it to continue to march north and reach 370.0. EURCZK was stable at 27.33. The ruble basked was unchanged on Monday even though USDRUB went down thanks to a weaker dollar and ended the day at 77.6.

On the domestic interest rate market the 2Y IRS fell by 2pb to 0.18%, while 2Y bond yields remained close to zero. Other part of the IRS curve also shifted down with 5Y sliding by 3pb to 0.47% and 10Y by 3pb to 0.89%. 5Y bond yield remained unchanged at 0.49% and 10Y fell by 2bp to 1.28%. As Bund was stable, spread to Germany narrowed to 189bp.

Employment and wages in corporate sector, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,5753	CZKPLN	0,1676
USDPLN	3,8853	HUFPLN*	1,2522
EURUSD	1,1777	RUBPLN	0,0500
CHFPLN	4,2693	NOKPLN	0,4163
GBPPLN	5,0314	DKKPLN	0,6140
USDCNY	6,6798	SEKPLN	0,4399

*for 100HUF

Last session in the FX market

19.10.2020

	min	max	open	close	fixing
EURPLN	4,533	4,577	4,541	4,576	4,550
USDPLN	3,871	3,888	3,880	3,882	3,876
EURUSD	1,170	1,179	1,171	1,179	-

Interest rate market 19.10.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	-0,02	-3
PS0425 (5Y)	0,48	-1
DS1030 (10Y)	1,27	-2

IRS on the interbank market**

Rate on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,14	0	0,21	1	-0.53	0
2L	0,18	0	0,23	0	-0.53	0
3L	0,24	0	0,27	1	-0.53	-1
4L	0,35	0	0,33	1	-0.51	-1
5L	0,46	0	0,41	1	-0.49	-1
8L	0,74	-1	0,65	2	-0.38	-1
10L	0,91	-1	0,79	2	-0.30	0

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	0,16	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

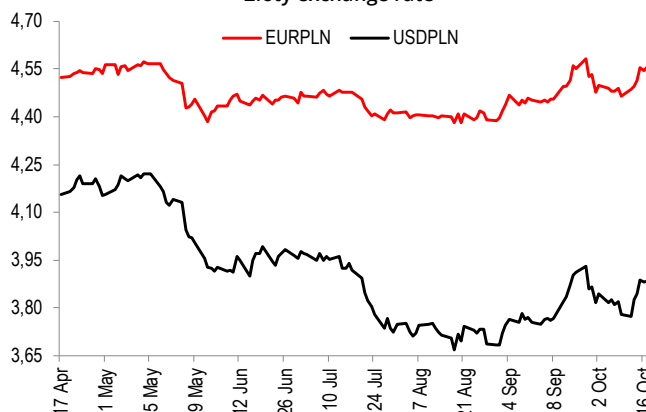
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	60	0	189	-1
France	10	0	29	1
Hungary	65	1	292	0
Spain	60	1	79	4
Italy	90	1	135	7
Portugal	39	1	77	3
Ireland	18	0	38	1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

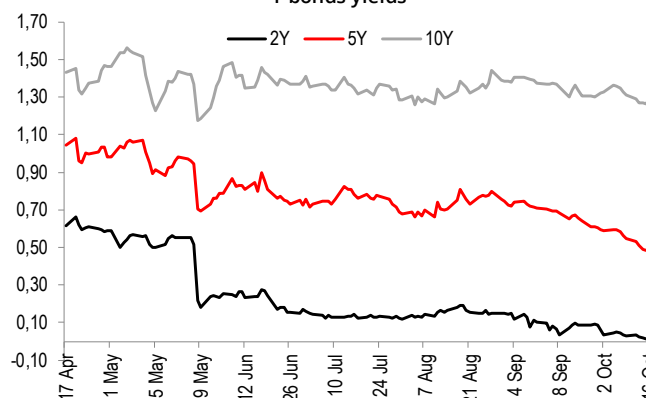
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

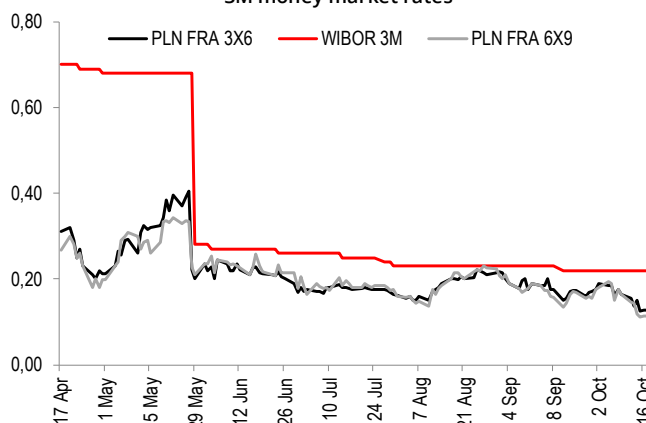
Zloty exchange rate



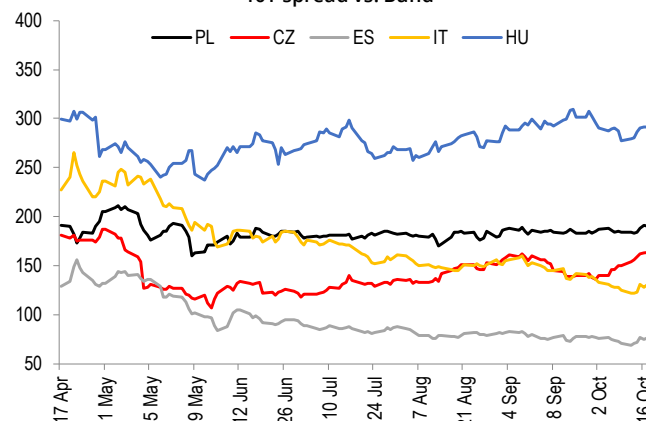
T-bonds yields



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	-1.2	-1.5
10:00	PL	Average Gross Wages	Sep	% y/y	4.4	4.8	5.6	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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