

21 October 2020

Eyeopener

Next Polish data today

Equity markets mildly up
 Poland industrial output surprises to the upside
 EURPLN slowly increases amid low volatility
 Polish bonds stable
 Today in Poland construction output and retail sales

On Tuesday the European stock markets were gaining slightly, mostly no more than 0.5% vs. previous close. Yield of 10Y UST rose to 0.79% and German Bund to -0.62% (+1-2bp). Brent oil price remained stable at 42.3 \$/barrel and gold price was hovering near 1900 \$/ounce. Euro zone balance of payments improved in August to €19.9bn. German production prices fell in September by less than expected. US data were mixed again. New building permits rose significantly, but the new house starts has disappointed (after the previous month's downward revision).

Poland industrial output climbed by 5.9% y/y in September versus 1.5% y/y in August, beating the market consensus (we: 3.1%, market: 3.7%). Data corrected for seasonality showed a rise by 3.0% m/m and 3.6% y/y. Rebound in industry proved stronger than expected, but it is likely to slow down in October due to rising Covid-19 numbers and wider range of restrictions. Still, we are expecting the sector to suffer a markedly weaker blow than during the Great Lockdown in April. In September Polish PPI fell by 1.6% y/y, slightly more than expected, with manufacturing prices down by -2.5% y/y, the most in five years. Read more in our [Economic Comment](#).

EURUSD after opening at 1.178 temporarily fell to 1.175, but in the second part of the day rose to 1.182 and closed 0.4% above the opening. Today in the morning the rate is already near 1.185 and EURUSD increase week-to-date has already reached 1.2%.

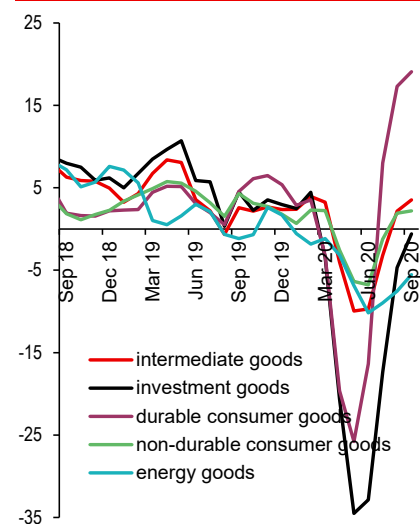
EURPLN opened at 4.578 amid low volatility, which was the case despite the macroeconomic data releases. During the day the rate has been rising slowly, closing at 4.582.

As to the other regional currencies, EURHUF rose 0.2% to 365.6 while the Hungarian central bank remained the main interest rate at 0.60%. The bank underscored that it will be using the 1-week deposit rate (currently at 0.75%) in response to the increase in risk aversion in the emerging markets. The nearest tender is scheduled for tomorrow. EURCZK has not changed much and most of the day remained in the vicinity of 27.25. In Russia, as the markets awaited the macro data to be published in the late afternoon, the rouble basket increased by 0.3% to 84.1 while USDRUB – thanks to weakening dollar – to 77.7. Oil producers negotiating within OPEC+ formula assessed that due to Covid-19 which impacted the consumption, the recovery in oil demand slowed down, while increasing the production by 2mln barrels/day (frozen at the start of the year) might be delayed further.

On the domestic interest rate market the short end of the yield curve traditionally was not overly volatile e.g. 2Y IRS closed unchanged at 0.20%, while the yield of 2Y bond remains slightly above zero. At the long end of the curve, 10Y IRS rose 3bp to 0.92% whereas the yield on 10Y bond declined by further 1bp to 1.26%. At the end of the session the activity of bond buyers faded, which suggests that today we might see slightly higher yields at the long end of the curve. The spread to Bund closed at 187bp.

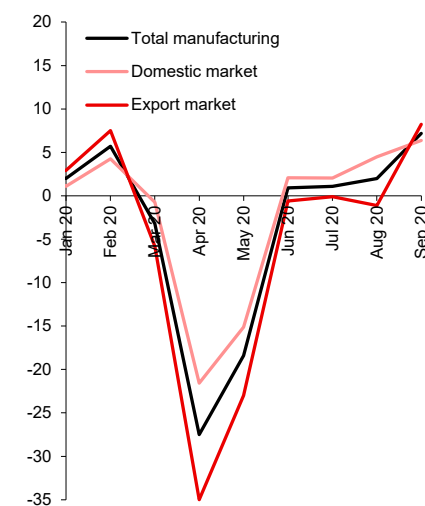
Tomorrow at the switching tender the Finance Ministry is planning to sell five series of bonds: OK0423, PS0425, WZ1126, WZ1129, DS1030, and repurchase five series as well: WZ0121, PS0421, OK0521, PS072, DS2012. Moreover, the Ministry informed that the State debt rose to PLN1100.3bn in September from PLN1091.4bn one month earlier (monthly increase by 0.82% or PLN8.9bn). Debt in domestic currency was equal to PLN836.8bn and foreign to PLN263.5bn. In today's interview for Rzeczpospolita daily, **finance minister Tadeusz Kościński** said that at the end of September the 2020 borrowing needs were fully covered and 2021 needs were covered in about 10%.

Industrial output by broad sectors, 3-month moving average, % y/y



Source: GUS, Santander

Output in manufacturing, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.5549	CZKPLN	0.1677
USDPLN	3.8419	HUFPLN*	1.2412
EURUSD	1.1856	RUBPLN	0.0498
CHFPLN	4.2464	NOKPLN	0.4169
GBPPLN	4.9908	DKKPLN	0.6121
USDCNY	6.6458	SEKPLN	0.4410

*for 100HUF

Last session in the FX market

10/20/2020

	min	max	open	close	fixing
EURPLN	4.563	4.590	4.574	4.565	4.587
USDPLN	3.854	3.900	3.884	3.861	3.893
EURUSD	1.176	1.184	1.178	1.182	-

Interest rate market 10/20/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.02	4
PS0425 (5Y)	0.49	1
DS1030 (10Y)	1.27	0

IRS on the interbank market**

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.14	0	0.21	-1	-0.53	1
2L	0.18	0	0.23	0	-0.52	1
3L	0.24	0	0.27	-1	-0.52	1
4L	0.35	0	0.33	0	-0.50	1
5L	0.46	0	0.41	0	-0.47	2
8L	0.74	0	0.66	2	-0.36	2
10L	0.91	0	0.81	2	-0.27	3

WIBOR rates

Term	%	Change (bps)
O/N	0.11	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	0.17	0
3x6	0.13	0
6x9	0.12	0
9x12	0.11	0
3x9	0.16	1
6x12	0.15	1

Measures of fiscal risk

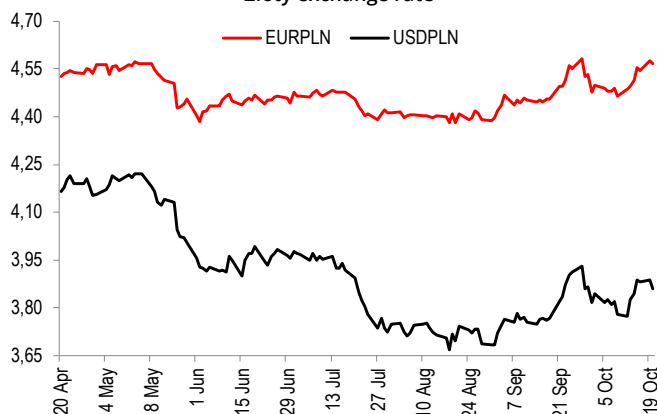
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	60	0	187	-2
France	10	0	28	0
Hungary	64	-1	292	1
Spain	60	1	79	0
Italy	90	0	134	0
Portugal	38	-1	77	0
Ireland	18	0	37	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

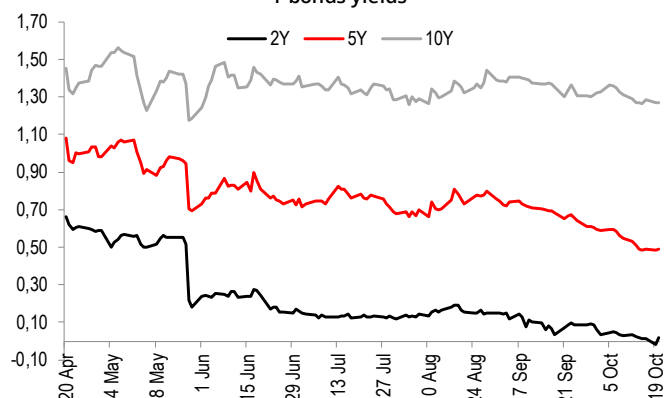
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

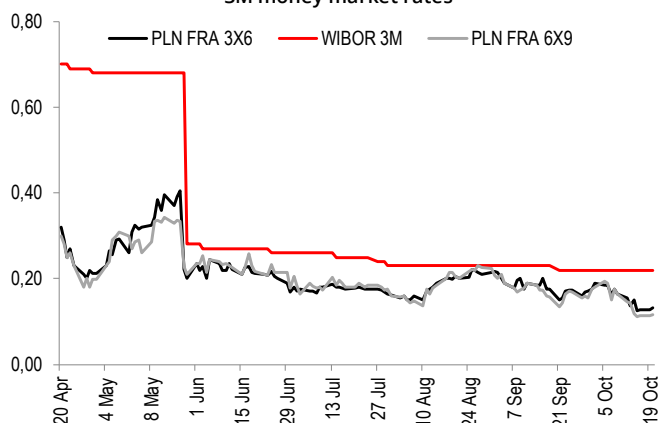
Zloty exchange rate



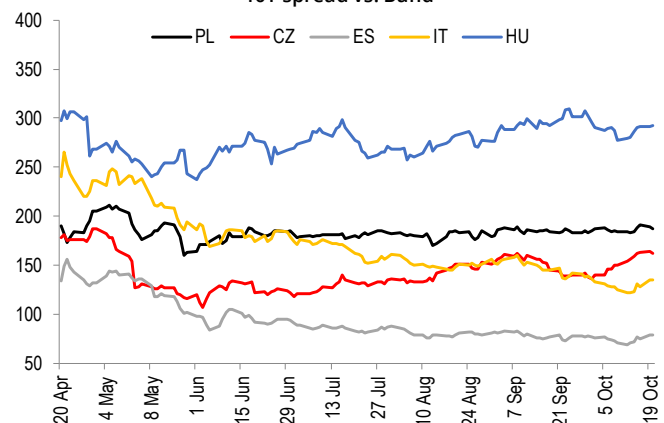
T-bonds yields



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	5.9	1.5
10:00	PL	PPI	Sep	% y/y	-1.5	-1.4	-1.6	-1.3
14:00	HU	Central Bank Rate Decision		%	0.6	-	0.6	0.6
14:30	US	Housing Starts	Sep	% m/m	3.5	-	1.9	-6.7
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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