

23 October 2020

# Eyeopener

## Flash PMIs today

Equities stable awaiting US fiscal package news  
 EURPLN slightly up amid high Covid-19 infections  
 Polish 10Y bond gains, IRS up  
 Today in Poland unemployment rate, in Europe flash PMIs

On Thursday financial markets were quite stable, awaiting the result of negotiations on the US fiscal package. 10Y bond yields in the core markets were unchanged (Bund at -0.58%, UST at 0.82%). Dollar gained slightly (c.0.2%) and thus most of the EM currencies depreciated. Turkish lira lost the most (c.2%) after the central bank surprised investors by not hiking interest rate (currently 10.25%). US home sales surprised positively rising 9.4% m/m.

**Today at 11:00CET PM Mateusz Morawiecki** will hold the press conference to present new restrictions aimed at containing the spread of coronavirus.

After September **the budget deficit** was PLN13.8bn, just PLN0.5bn higher than after August, after decreasing for three months. Total revenues were in September alone higher by 7.3% y/y, with revenues from indirect taxes still growing decently (13.3% y/y vs 15.3% previously) while the collection of income taxes was weaker than a year ago (CIT: -7.2% y/y, PIT -4.1%). Expenditures rose by 9.2% y/y mainly due to a significant increase of the subsidy to the social security fund (PLN4.3bn in September vs c.PLN2.2bn on average in the previous three months). Relative to the amended 2020 budget plan, the September results mean that in the remaining part of the year the government plans to collect PLN10bn less than in the same period of 2019 (year to date it got PLN8.5bn more than a year ago), and spend PLN73bn more, most likely covering some of the extra 2021 expenditures like the 13. and 14. pension (the budget amendment was prepared at the time when pandemic stats have not soared yet).

**MPC member Jerzy Kropiwnicki** asked about the zloty exchange rate said the currency should hold at lower level "because export is a very important part of all motors that support economic growth or prevent GDP decline". Asked whether EURPLN at 4.60 would be enough, he answered that "it is hard to say right now, the developments in foreign trade should be watched".

**M3 money supply** rose by 17% y/y in September accelerating from 16.2% y/y in August. Deposits rose by 14.8% y/y with a jump by PLN6.8bn in corporate deposits, possibly due to payments from the Financial Shield for big companies. Current corporate deposits recorded an over-50% annual growth rate, while decline of term deposits slowed down to 27% y/y from -23.6% y/y in August. Total term deposits were going down by over 25% y/y and current deposits were by 35% y/y higher than one year ago. Total loan growth rate corrected for FX changes turned negative (-0.2% y/y as compared to 5% y/y on average in 1Q20) due to deepening decline in corporate loans (to -5.3% y/y from -3.9% y/y previously) and gradual slowdown of household loans (to 3.3% y/y from 3.9% y/y).

**GUS released revised quarterly GDP data.** Earlier we got to see annual data until 2019, so the most interesting statistics are those from 1H20. GDP growth in that period was slightly revised down, to 1.9% y/y from 2.0% in 1Q20 and to -8.4% y/y from -8.2% in 2Q20. Estimates for public consumption and inventories went down, while net export estimates were moved upwards.

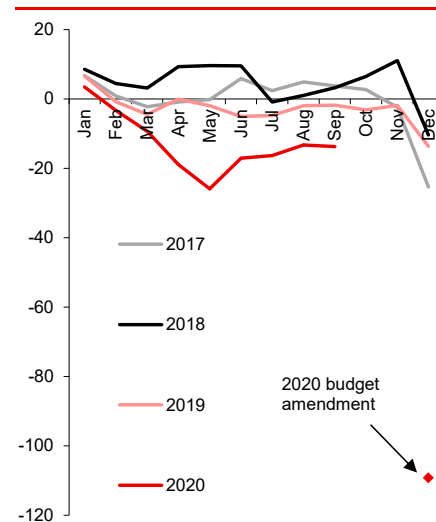
**EURUSD** after four consecutive rising sessions finally dropped yesterday and closed the day near 1.183. On Friday EURUSD opened near 1.18.

**EURPLN** yesterday increased temporarily over 4.59 and the incoming news about the fresh highs in Covid-19 cases in Poland imply that testing the 4.60 level in the coming days is highly probable. USDPLN rose yesterday to almost 3.87 and on Friday starts the day above 3.88 already.

**In the case of other CEE currencies,** Hungarian central bank on its recently introduced weekly auction has not changed the 1-week deposit rate (still at 0.75%) while EURHUF increased 0.2% to 364.5. EURCZK has not changed much for another day (27.25) and the 1-week realized volatility dropped to below 4%. USDRUB closed the day unchanged (76.6) however in the meantime traded as high as 77.6 (+1.2%).

**On the Polish fixed income market** both IRS and bond yields in the tenors of up to 5Y have not changed. The 10Y IRS rose 3bp to 0.90% while the yield of 10Y bond dropped 2bp to 1.26%. The spread vs Bund narrowed to 183bp. **The Ministry of Finance** on a switch auction sold the bonds of five series (OK0423, PS0425, WZ1126, WZ1129, DS1030) for PLN 4.56bn, while bought bonds of five series (DS1021, WZ0121, PS0421, OK0521, PS0721) for PLN 4.49bn. After the switch auction the 2021 year financing needs have been financed in 11%, the Ministry said.

Cumulative central budget performance, PLNbn



Source: Ministry of Finance, Santander

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## FX market

### Today's opening

EURPLN	4.5816	CZKPLN	0.1681
USDPLN	3.8870	HUFPLN*	1.2445
EURUSD	1.1791	RUBPLN	0.0508
CHFPLN	4.2797	NOKPLN	0.4181
GBPPLN	5.0711	DKKPLN	0.6159
USDCNY	6.6868	SEKPLN	0.4419

\*for 100HUF

### Last session in the FX market

10/22/2020

	min	max	open	close	fixing
EURPLN	4.566	4.591	4.577	4.576	4.588
USDPLN	3.852	3.883	3.865	3.870	3.873
EURUSD	1.181	1.187	1.185	1.182	-

## Interest rate market 10/22/2020

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.00	0
PS0425 (5Y)	0.51	0
DS1030 (10Y)	1.26	-2

### IRS on the interbank market\*\*

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.16	0.21	-0.53
2L	0.21	0.23	-0.52
3L	0.28	0.28	-0.51
4L	0.40	0.35	-0.49
5L	0.52	0.44	-0.45
8L	0.80	0.72	-0.33
10L	0.95	0.87	-0.24

## WIBOR rates

Term	%	Change (bps)
O/N	0.11	0
T/N	0.12	1
SW	0.13	1
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	0
3x6	0.16	0
6x9	0.14	0
9x12	0.13	0
3x9	0.18	0
6x12	0.17	0

## Measures of fiscal risk

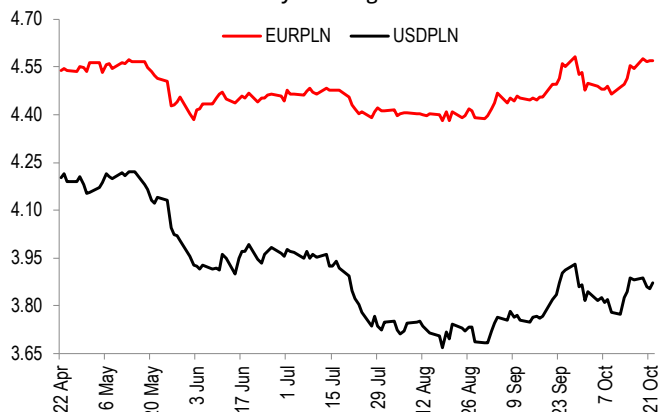
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	60	183
France	10	28
Hungary	64	295
Spain	60	79
Italy	90	137
Portugal	38	78
Ireland	18	37
Germany	8	-

\* 10Y treasury bonds over 10Y Bunds

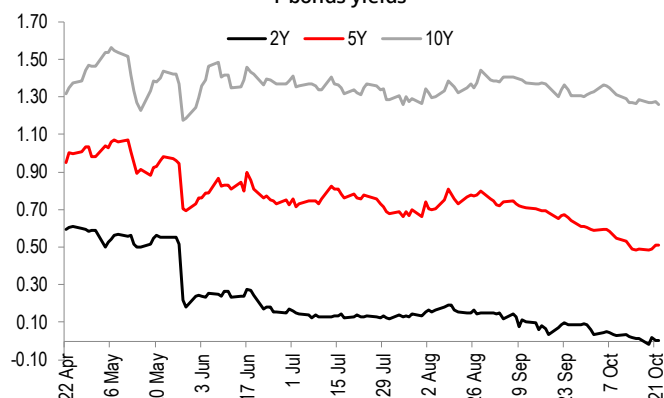
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

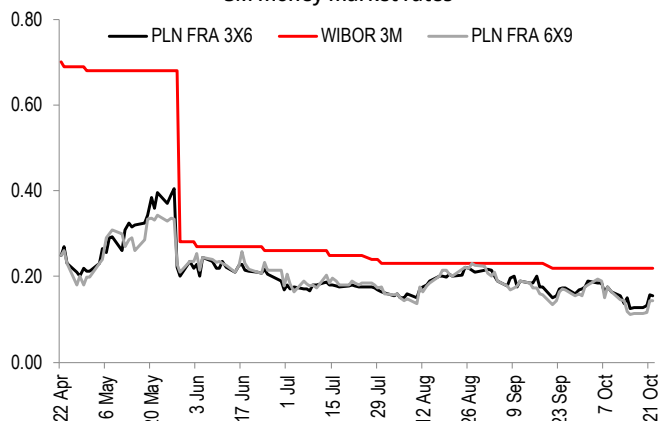
## Zloty exchange rate



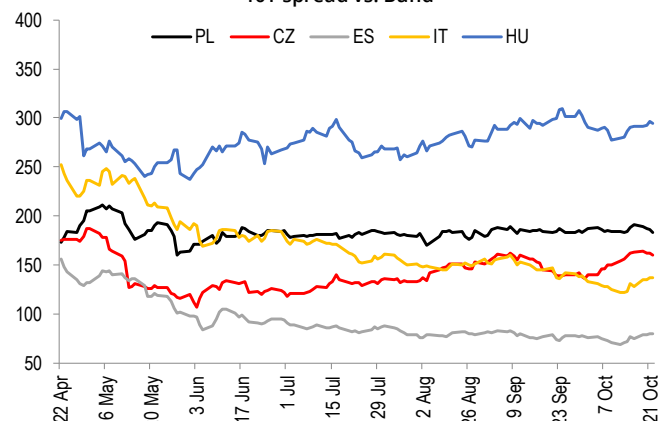
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
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	-10.8	-15.1	-9.8	-12.1
10:00	PL	Retail Sales Real	Sep	% y/y	1.9	0.3	2.5	0.5
THURSDAY (22 October)								
14:00	PL	Money Supply M3	Sep	% y/y	16.1	15.6	17.0	16.2
14:30	US	Initial Jobless Claims	week	k	870	-	787	842
16:00	US	Existing Home Sales	Sep	% m/m	5.0	-	9.4	2.0
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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