

27 October 2020

Eyeopener

Pessimism is back

Rise in risk aversion at the start of the week
MPC's Ancyparowicz: pessimistic outlook for 4Q
EURPLN still elevated
Polish bond prices go up
Today US data

The market optimism that had appeared on Friday after the release of better-than-expected flash October PMIs for Germany and the euro zone, was already gone on Monday. Due to the rise of Covid-19 cases in the USA and no progress in talks between Democrats and Republicans about the fiscal package European stock exchanges saw large declines already early in the session and this supported core bond markets. The October reading of Ifo index was mixed, just like Friday PMIs: the expectations component was disappointing but the current assessment reading surprised positively.

MPC member Grażyna Ancyparowicz said yesterday in the Biznes24 TV channel that the central bank may help the economy by supporting the financing of government aid packages. In her opinion, interest rates should remain at the current, optimal level. She said that in theory interest rates could be lowered still, but the impact on the economy would be negligible. At the same time, she drew a rather pessimistic outlook for the Polish economy in 4Q2020. In her opinion, the government restrictions taken together with self-imposed curbs in spending by consumers might result in the 4Q20 GDP falling by more than in 2Q20. Grażyna Ancyparowicz said that the negative impact of the pandemic on the economy might extend into 2021 and the return to the growth path might occur only in 2H21. Ancyparowicz's assessment of the economic outlook in the nearest quarters implies that she should support the scenario of stable rates going forward.

The draft bill supporting the sectors affected by the current pandemic restrictions, including gastronomy, sport facilities, physiotherapists and retail trade at stall has been submitted to the parliament. The proposed solutions include the relief from social security payments for November, furlough compensation (condition: revenue drop by 40% y/y), suspension of trade fee in 2021. The estimated cost of the measures is respectively: PLN530m, PLN305m and PLN140m. Today the PM Morawiecki plans to hold a press conference about the economic support.

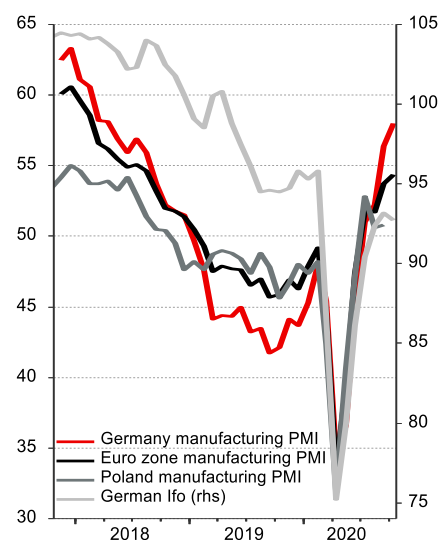
EURUSD eased to 1.18 from 1.185 owing to lower demand for the risky assets. For the last four sessions, the exchange rates has been hovering in a 1.18-1.185 range for most of the time. Today we will see next US data, including the consumer sentiment. We expect the trading to be rather quiet as investors await the US presidential elections result (November 3).

EURPLN rose to 4.58 from 4.56 and USDPLN to 3.88 from 3.85 amid stronger dollar and lower stock prices. EURPLN is holding at an elevated level, slightly below September peak at nearly 4.60. We see the risk that this level could be tested in the short-term.

Among the other CEE currencies, the koruna underperformed since it lost slightly vs the euro (EURCZK +0.23% to 27.27). The forint was stable near 365 per euro, similarly like ruble vs the dollar (76.13), though it lost temporarily intraday (76.61).

On the domestic interest rate market both IRS and bond curves flattened after the belly and long-end rates moved down 4bp. The 10Y Polish bond yield reached nearly 1.20%, its lowest since late May when the record low of c1.17% was reached. The 5Y bond yield fell below the mid-month bottom of c0.48% and reached its new all-time-low. The 10Y Bund yield did not change much vs Friday's close which allowed the PL-DE yield spread to fall below 180bp.

Business sentiment indexes



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.5815	CZKPLN	0.1660
USDPLN	3.8773	HUFPLN*	1.2423
EURUSD	1.1817	RUBPLN	0.0507
CHFPLN	4.2648	NOKPLN	0.4172
GBPPLN	5.0447	DKKPLN	0.6159
USDCNY	6.7091	SEKPLN	0.4405

*for 100HUF

Last session in the FX market

26.10.2020

	min	max	open	close	fixing
EURPLN	4.561	4.586	4.561	4.579	4.577
USDPLN	3.854	3.886	3.856	3.872	3.876
EURUSD	1.180	1.185	1.183	1.182	-

Interest rate market 26.10.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.00	-1
PS0425 (5Y)	0.47	-3
DS1030 (10Y)	1.22	-3

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.15	0.22	-0.53
2L	0.19	0.24	-0.52
3L	0.26	0.27	-0.51
4L	0.36	0.33	-0.49
5L	0.48	0.42	-0.46
8L	0.76	0.68	-0.34
10L	0.92	0.82	-0.25

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	-1
SW	0.12	-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	0.15	-1
6x9	0.13	-1
9x12	0.12	-1
3x9	0.17	-3
6x12	0.16	-2

Measures of fiscal risk

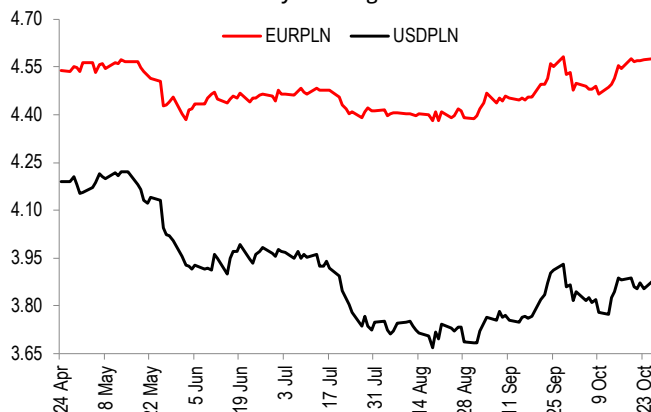
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	60	179
France	10	28
Hungary	63	297
Spain	57	76
Italy	84	130
Portugal	37	74
Ireland	18	35
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

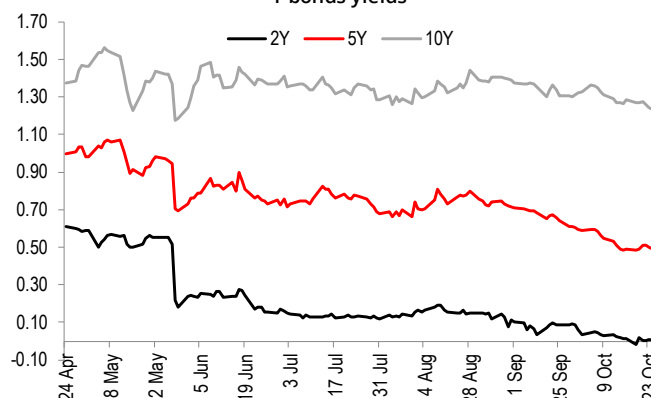
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

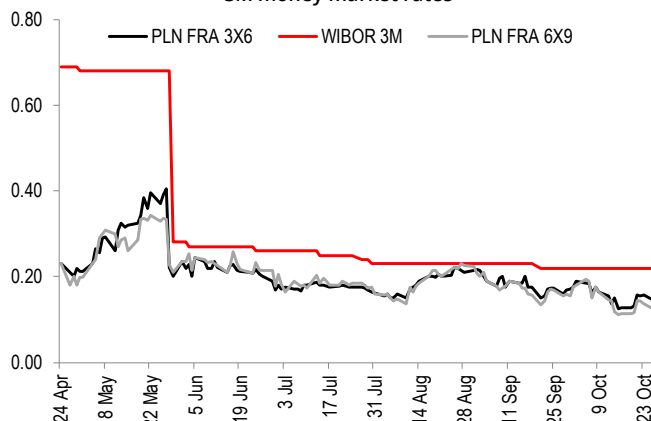
Zloty exchange rate



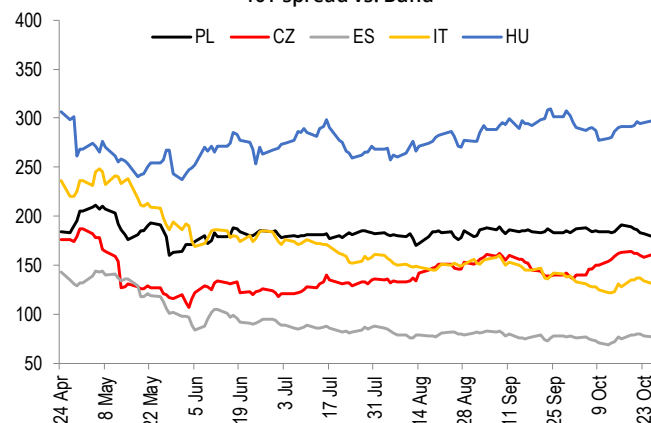
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (23 October)								
09:30	DE	Flash Germany Manufacturing PMI	Oct	pts	55.0	-	58.0	56.4
09:30	DE	Flash Markit Germany Services PMI	Oct	pts	49.4	-	48.9	50.6
10:00	EZ	Flash Eurozone Manufacturing PMI	Oct	pts	53.0	-	54.4	53.7
10:00	EZ	Flash Eurozone Services PMI	Oct	pts	47.0	-	46.2	48.0
10:00	PL	Unemployment Rate	Sep	%	6.1	6.1	6.1	6.1
MONDAY (26 October)								
10:00	DE	IFO Business Climate	Oct	pts	93.0	-	92.7	93.2
15:00	US	New Home Sales	Sep	% m/m	-0.1	-	-3.5	3.0
TUESDAY (27 October)								
13:30	US	Durable Goods Orders	Sep	% m/m	0.5	-		0.5
15:00	US	Consumer Conference Board	Oct	pts	102.0	-		101.8
WEDNESDAY (28 October)								
No important data releases								
THURSDAY (29 October)								
11:00	EZ	ESI	Oct	pct.	89.6	-		91.1
13:30	US	GDP Annualized	3Q	% Q/Q	31.9	-		-31.4
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:00	DE	HICP	Oct	% m/m	-0.2	-		-0.4
14:30	US	Initial Jobless Claims	week	k	870	-		787
15:00	US	Pending Home Sales	Sep	% m/m	3.5	-		8.8
FRIDAY (30 October)								
08:00	DE	GDP WDA	3Q	% y/y	-4.3	-		-11.3
09:00	CZ	GDP SA	3Q	% y/y	-6.6	-		-10.9
10:00	PL	Flash CPI	Oct	% y/y	3.2	3.1		3.2
11:00	EZ	Flash HICP	Oct	% y/y	-0.4	-		-0.3
11:00	EZ	GDP SA	3Q	% y/y	-7.4	-		-14.8
11:00	EZ	Unemployment Rate	Sep	%	8.3	-		8.1
13:30	US	Personal Spending	Sep	% m/m	1.0	-		1.0
13:30	US	Personal Income	Sep	% m/m	0.3	-		-2.7
13:30	US	PCE Deflator SA	Sep	% m/m	0.2	-		0.3
15:00	US	Michigan index	Oct	pts	81.2	-		81.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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