

28 October 2020

# Eyeopener

## New aid package

Risk aversion still present  
PM presented a new aid package  
France and Germany mull new restrictions  
EURPLN still close to 4.60, EURUSD in a narrow range  
Polish bond yields go lower  
No important data releases today

Since the start of the week the global market remains in poor mood. The next wave of Covid-19 cases around the world, coupled with prolonging talks about the US fiscal package and uncertainty before the US presidential elections pushed many stock markets in Europe and USA towards or to the new lows. Bonds were strengthening again, while CEE currencies were doing pretty well, which could have been helped by slight dollar depreciation. US data were mixed: durable goods orders surprised to the upside, while consumer confidence was slightly worse than expected.

According to media, governments in **France and Germany are planning to introduce new pandemic restrictions**. France is said to be planning a one-month country lockdown, while Germany is mulling closing down entertainment, sport and gastronomy since November 4 until the end of month. Today Angela Merkel and Emmanuel Macron planned their speeches which are supposed to reveal more details. New lockdowns in EU's biggest economies will have negative impact on economic forecasts for Poland.

Polish Prime Minister Mateusz Morawiecki announced yesterday that **the aid package aimed at the sectors hit by new Covid-19-related curbs** will be worth PLN 1.8-2.0bn. The package includes: relief from social contributions, furlough compensation, subsidies worth PLN5k and suspension of trade fee. Prime Minister added that if the pandemic does not allow to relax the restrictions at the end of November, then the support will be extended. Yesterday the number of daily Covid-19 cases in Poland reached a new record: 16300.

**The Senat approved the 2020 budget amendment** introducing some changes, for example increasing spending on healthcare by PLN2bn and on education by PLN3bn at the expense of lower expenditure on defence and the general reserve. The Sejm can still reject the Senate's proposals.

**Yesterday we released an Economic Comment**, where based on card transactions data from our bank we estimated the impact of introduction of yellow and red epidemic regimes on consumer spending. Results of our analysis suggest that powiats (380 middle-sized local government units) in these regimes record lower spending, especially in gastronomy and supermarkets. We assess the total effect on consumption at 2.0-2.5% in yellow zones and 3.5-4.0% in red ones. This lead us to an estimate that extending the red zone to cover the entire country (we are not taking into account additional restrictions in place from 17 October on) will deduct about 1.0-1.5 percentage points from GDP growth, compared to the scenario with the entire country in the green zone and provided that this regime remains unchanged until end of December. This does not mean that we are changing our 4Q20 forecast by this number. Read more in [the full version](#).

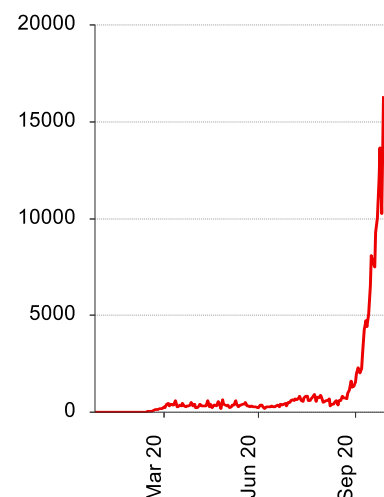
Yesterday **EURUSD** regained most of the Monday decline and closed near 1.182. It was a fifth session in a row that the exchange rate spends most of the time between 1.180-1.185. Today there will be no significant macro data, hence the exchange rate might remain calm before tomorrow's ECB meeting and in particular the outcome of US elections next week.

**EURPLN and USDPLN** gained yesterday at the start of the day to 4.59 and 3.89 but retraced in the following hours by 2 figures. The new daily record of Covid-19 cases in Poland has not impacted the zloty strength by much, but the lack of dollar appreciation helped the zloty a bit. It is 4th session in a row that EURPLN remains within the low and high from the previous Wednesday and awaits an impulse to move away. We still think that testing of 4.60 is possible in the near future.

Among the **other CEE currencies**, this time the ruble underperformed since it lost c1% vs the dollar despite weakening of the US currency and oil price rising slightly after Monday's plunge. EURHUF remained near 365 holding slightly below the previous day's peak while EURCZK broke it slightly but at the end of the day was back close to 27.3, marginally above the opening level.

**On the domestic interest rate market** curves continued to flatten amid further decline of rates on the belly and long end. Polish 10Y bond yield fell c5bp, similar to Bund and more than the Treasuries. The bond 2-10 spread fell to 170bp, its lowest since late August.

New daily Covid-19 cases in Poland



Source: Refinitiv Datastream, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.5968	CZKPLN	0.1660
USDPLN	3.9053	HUFPLN*	1.2400
EURUSD	1.1774	RUBPLN	0.0505
CHFPLN	4.2897	NOKPLN	0.4172
GBPPLN	5.0943	DKKPLN	0.6159
USDCNY	6.7142	SEKPLN	0.4405

\*for 100HUF

### Last session in the FX market

27/10/2020

	min	max	open	close	fixing
EURPLN	4.571	4.591	4.579	4.580	4.589
USDPLN	3.864	3.891	3.870	3.872	3.886
EURUSD	1.179	1.184	1.183	1.183	-

## Interest rate market

27/10/2020

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

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.00	0
PS0425 (5Y)	0.43	-4
DS1030 (10Y)	1.17	-4

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

Rate on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.15	-1	0.22	0	-0.53	-1
2L	0.19	0	0.23	-1	-0.53	-1
3L	0.25	-1	0.26	-1	-0.53	-2
4L	0.36	-1	0.32	-2	-0.51	-2
5L	0.47	-1	0.40	-2	-0.48	-2
8L	0.75	-1	0.65	-3	-0.37	-3
10L	0.91	-1	0.79	-3	-0.29	-4

## 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	-2
3x6	0.12	-2
6x9	0.09	-3
9x12	0.08	-4
3x9	0.15	-2
6x12	0.13	-3

## Measures of fiscal risk

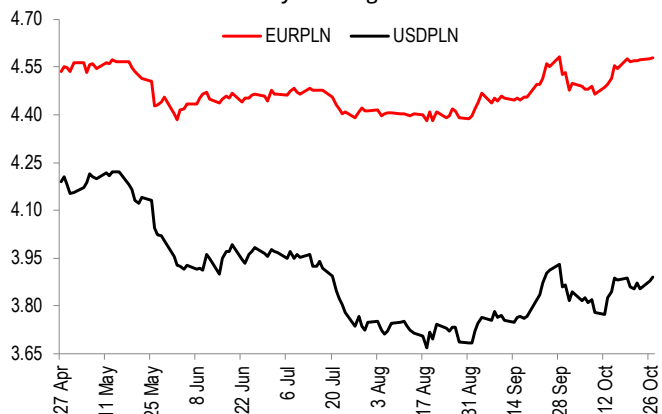
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	60	0	178	-1
France	10	0	28	0
Hungary	63	0	300	3
Spain	57	0	77	0
Italy	86	2	131	1
Portugal	37	0	75	1
Ireland	18	0	36	1
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

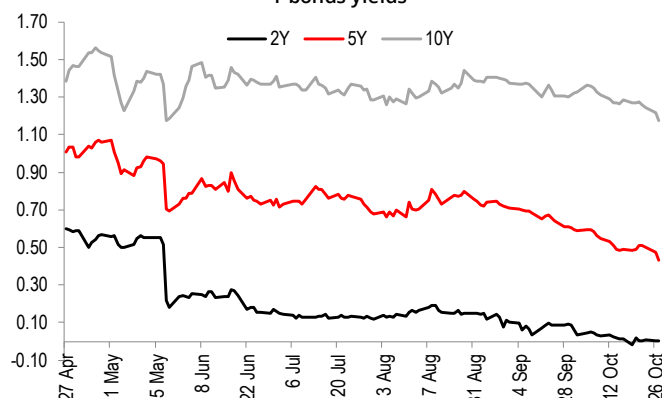
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

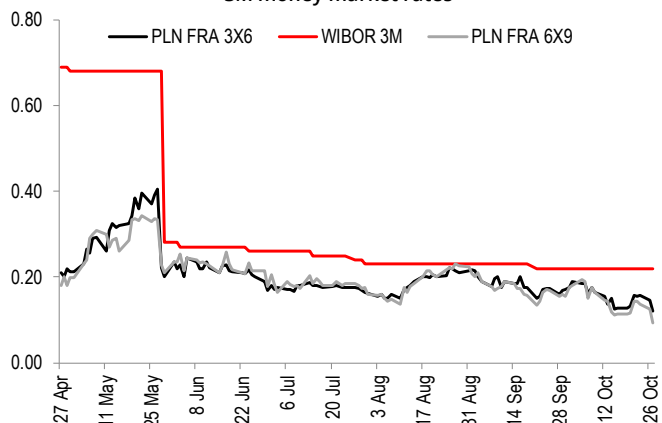
## Zloty exchange rate



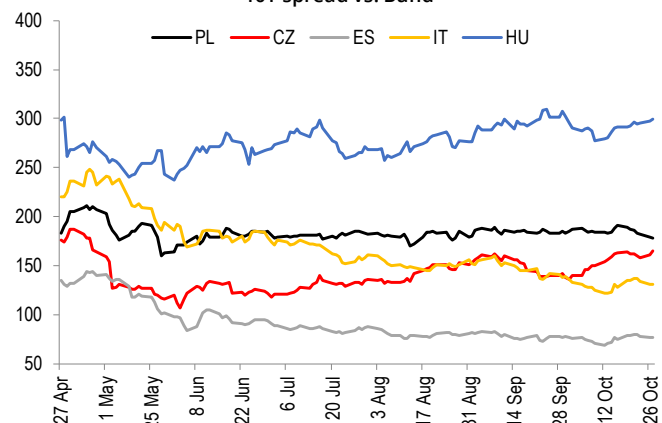
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Economic calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
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	-	1.9	0.4
15:00	US	Consumer Conference Board	Oct	pts	102.0	-	100.9	101.3
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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