

29 October 2020

Eyeopener

Next wave of selloff

Rising concerns about economic outlook
 EURPLN at the highest level since March
 Polish 5Y and 10Y bond yields at record lows
 Today, ECB decision, ESI indicators, German inflation

The Wednesday session was dominated by the news on France and Germany planning tighter coronavirus-related restrictions. Already at the opening some of the European indexes move clearly below the Tuesday close and in the following hours the decline continued. Risk aversion was positive for the dollar, yen and Swiss franc, as well as the US and German bonds. Brent oil price dropped by c.5% and gold price by 2%. EM currencies were under pressure, with Turkish lira reaching the weakest level on record.

Finance Minister Tadeusz Kościński said in an interview for Polish Radio that further local curbs are inevitable, and temporary shutdowns of more economic sectors are also possible. Also the government's spokesperson Piotr Müller said in TV this morning that "more severe lockdown" which would be implemented "in some time" cannot be ruled out.

Today **the ECB meeting concludes**. We do not expect that further measures aimed at stabilizing the financial markets or supporting the post-pandemic recovery would be announced already today. Markets hope, however, that the ECB will extend the ongoing asset purchase program by the end of the current year. If during the press conference, president Christine Lagarde suggests that in the near future further monetary policy easing is possible, this might contribute to calming of the markets, in the short term.

EURUSD broke through the lower bound of the 1.18-1.1185 range in which it has been hovering for several days and by the end of the day it was close to 1.173. This means that in three days the euro gave back all the gains vs the dollar that it had made in the previous week. Today ECB meeting outcome may influence the market. We do not expect the central bank to announce new measures yet, so EURUSD moves should not be large. If this is the case, investors may remain focused on anticipating the results and implications of US presidential elections result.

On Wednesday **EURPLN and USDPLN** gained as much as 5 and 7 figures, the EURPLN to 4.63 – the March top which occurred during the first wave of the Covid-19 pandemic. We see chances that the dovish ECB rhetoric will at least slow the depreciation pace of the local currency. In the context of the next few days the EURPLN might remain at the elevated level as markets await the outcome of the US presidential elections.

The remaining **CEE currencies** also depreciated. The ruble underperformed again since next to the global risk aversion it was pressured by a noticeable drop of the oil price. USDRUB rebounded by c2% to nearly 79.0. EURHUF rose 0.7% to 368 nearing the March peak when it reached its all-time-high at c370. The Czech koruna performed the best. EURCZK rose to 27.48 intraday, its highest since mid-May, but was back to 27.36 at the closing of the session.

On the **domestic interest rate market** yield fell 2-3bp to their new all-time-lows with the 10Y touching 1.14% for a while. At the same time, IRS rose c1p. The bond curve flattened further, the 2-10 spread fell slightly below 115bp (yet in mid-October the spread was above 130bp). The 10Y PL-DE yield remained roughly stable slightly below 180bp. State owned BGK bank issued 10Y and 13Y bonds for the total amount of PLN2.7bn and amid demand at PLN5.1bn. The total nominal amount of bonds issued to finance the anti-crisis shield stands now at PLN88bn.

EURPLN since the start of 2020



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FX market

Today's opening

EURPLN	4.6263	CZKPLN	0.1669
USDPLN	3.9372	HUFPLN*	1.2429
EURUSD	1.1750	RUBPLN	0.0500
CHFPLN	4.3189	NOKPLN	0.4200
GBPPLN	5.1201	DKKPLN	0.6159
USDCNY	6.7077	SEKPLN	0.4442

*for 100HUF

Last session in the FX market

28/10/2020

	min	max	open	close	fixing
EURPLN	4.586	4.635	4.589	4.626	4.619
USDPLN	3.892	3.956	3.895	3.937	3.931
EURUSD	1.172	1.179	1.178	1.175	-

Interest rate market

28/10/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.01	0
PS0425 (5Y)	0.40	-3
DS1030 (10Y)	1.16	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.15	0	0.21	-1	-0.53	0
2L	0.19	0	0.24	1	-0.53	0
3L	0.25	0	0.27	0	-0.53	0
4L	0.36	1	0.33	1	-0.51	0
5L	0.48	1	0.41	1	-0.48	0
8L	0.76	1	0.66	1	-0.37	0
10L	0.91	1	0.79	1	-0.28	1

WIBOR rates

Term	%	Change (bps)
O/N	0.10	-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	0.18	1
3x6	0.14	2
6x9	0.11	2
9x12	0.11	3
3x9	0.17	2
6x12	0.14	2

Measures of fiscal risk

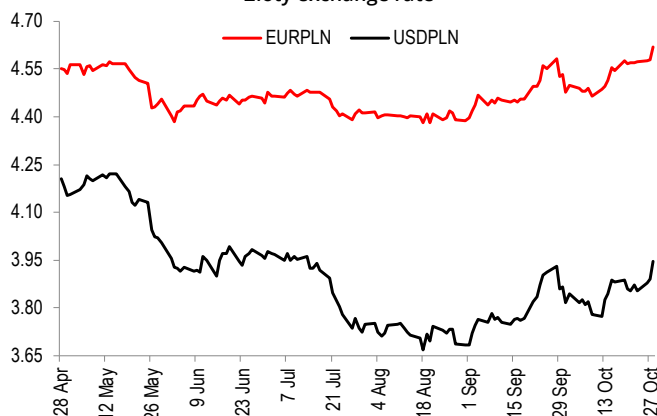
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	60	0	179	1
France	10	0	30	2
Hungary	63	0	302	2
Spain	61	4	81	4
Italy	94	8	140	9
Portugal	38	1	79	4
Ireland	18	0	39	3
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

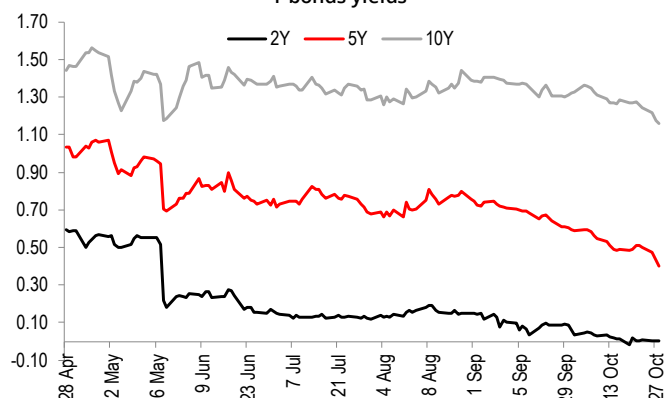
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

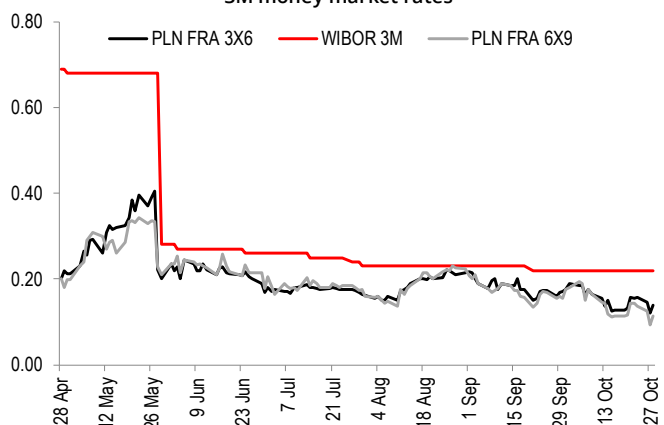
Zloty exchange rate



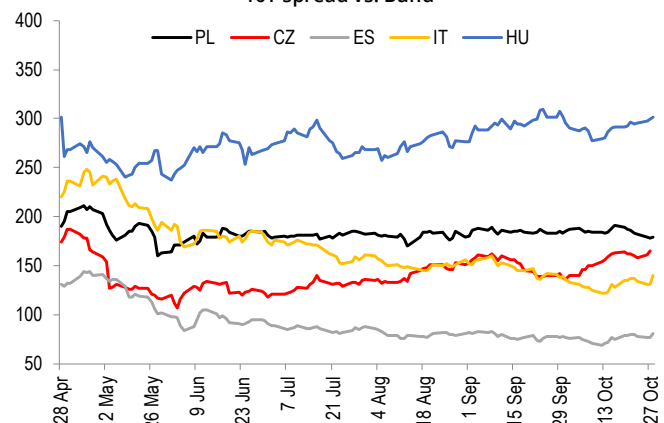
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	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	-	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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