

30 October 2020

Eyeopener

Today inflation data

Dovish ECB stabilizes the market sentiment
 EURPLN temporarily above the March high
 Polish bond yields still low
 Today in Poland preliminary CPI, a lot of data from the US

Thursday session passed in a much quieter mood than the previous ones this week. Stock indexes stabilised and CEE currencies managed to strengthen vs the euro. The euro lost vs the dollar and European governments' bond yields remained low, despite improved sentiment, due to dovish ECB rhetoric. The statement released after the meeting, where monetary policy parameters were not changed, suggested that some decisions may be taken in December and during the press conference ECB president Christine Lagarde said she is convinced that at the final meeting of the year monetary policy will be loosened some more. In her view it is possible to increase the target size of the asset purchase program. In December the ECB will publish new forecasts but Lagarde already indicated that risks are to the downside.

Most of sectoral ESI indicators for Poland improved in October, supported by stronger current activity and new orders. The outlook of doing business worsened: in industry the index of expected output was much below the assessment of current trend which is unusual, and in retail trade the index of expected orders in the next three months dropped so much that it brought the whole sectoral index down. Worse view on the business outlook did not translate to weaker employment indexes (with the exception of retail trade). Consumer sentiment remained significantly worse than in July and August and the share of answers that now is good time for major purchases was the second lowest since 2004.

Quarterly NBP report Quick Monitoring showed that in 3Q business sentiment improvement partly offset the 2Q decline. Companies were more positive on future demand, especially from abroad and were more interested in raising employment, wage hike plans were also slightly broader than previously. Indicators describing investment attitude improved only a little, and the implied share of discontinued projects is still larger than in the worst phase of global financial crisis. On the other hand the index of annual economic situation forecasts rebounded above the pre-pandemic level, however this result was based on opinions from the middle of September – before the jump in infections and tightening of restrictions.

EURUSD fell for the third day in a row, this time owing to the dovish rhetoric of the ECB, not the global risk aversion. At the end of the day, the exchange rate was close to 1.166 and reached the new October low. After EURUSD broke 1.17, the next target could be the September low at slightly above 1.16.

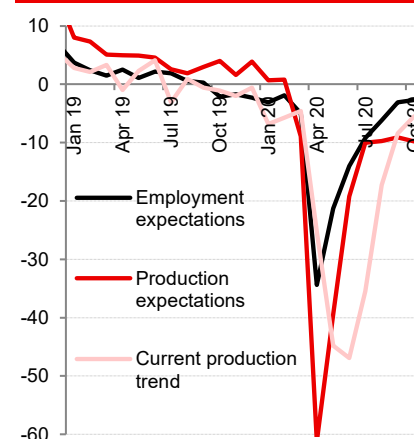
EURPLN rose to 4.645 shortly after the opening of the session and broke slightly the March peak. The following hours brought a correction to 4.62 at the end of the day thanks to the dovish message from the ECB. In case of USDPLN, the effect of lower EURUSD was stronger and the zloty depreciated to 3.97 per dollar (the weakest so far this month). On Friday morning, EURPLN is near 4.63.

The remaining **CEE currencies** The remaining CEE currencies also managed to recover slightly vs the euro. EURCZK and EURHUF fell 0.2-0.3%, the koruna neutralized roughly half and the forint 1/5 of the Wednesday's weakening. Versus the dollar, the ruble lost for the fourth day in a row (USDRUB +0.3% to 79.11). The Russian currency was under pressure of further drop of the oil price, Brent was the cheapest since June yesterday.

On the **domestic interest rate market** On the domestic interest rate market the 5Y and 10Y bond yields fell by 2-3bp more leading to further flattening of the curve. The IRS rates remained unchanged (on the front end and belly) or rose (+4bp for 10Y). The 10Y PL-DE bond yield spread stayed below 180bp.

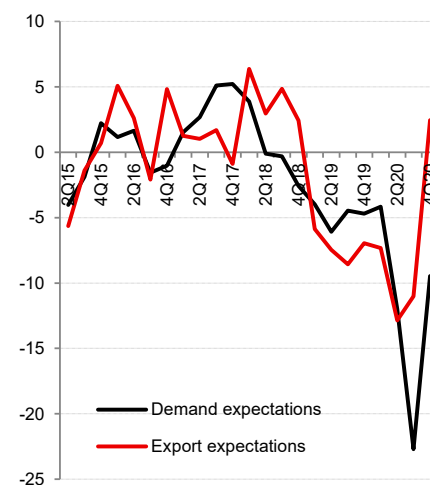
Today at 10:00CET the stat office will release flash estimate of the October inflation. We expect the CPI eased to 3.1% r/r while the market anticipates it remained unchanged at 3.2% r/r from September.

Selected ESI indexes for Polish industry, pts



Source: European Commission, Santander

Quick Monitoring report, annual change of selected indexes, pts



Source: NBP, Santander

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FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4.6195 | CZKPLN | 0.1670 |
| USDPLN | 3.9564 | HUFPLN* | 1.2440 |
| EURUSD | 1.1680 | RUBPLN | 0.0499 |
| CHFPLN | 4.3310 | NOKPLN | 0.4144 |
| GBPPLN | 5.1102 | DKKPLN | 0.6159 |
| USDCNY | 6.6976 | SEKPLN | 0.4434 |

*for 100HUF

Last session in the FX market

10/29/2020

| | min | max | open | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.605 | 4.645 | 4.627 | 4.617 | 4.633 |
| USDPLN | 3.926 | 3.970 | 3.936 | 3.960 | 3.951 |
| EURUSD | 1.165 | 1.176 | 1.175 | 1.166 | - |

Interest rate market 10/29/2020

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|-------|--------------|
| PS0722 (2Y) | -0.01 | -1 |
| PS0425 (5Y) | 0.38 | -2 |
| DS1030 (10Y) | 1.15 | -1 |

IRS on the interbank market**

| Rate on the interbank market | | | | | | |
|------------------------------|------|--------------|------|--------------|-------|--------------|
| Term | PL | | US | | EZ | |
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 0.14 | -1 | 0.20 | 0 | -0.54 | -1 |
| 2L | 0.19 | 0 | 0.24 | 0 | -0.54 | -1 |
| 3L | 0.26 | 0 | 0.28 | 1 | -0.53 | 0 |
| 4L | 0.36 | 0 | 0.35 | 2 | -0.52 | -1 |
| 5L | 0.48 | 0 | 0.43 | 3 | -0.48 | 0 |
| 8L | 0.77 | 1 | 0.70 | 4 | -0.37 | 0 |
| 10L | 0.93 | 1 | 0.84 | 5 | -0.28 | 0 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 0.10 | 0 |
| 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 | 0.19 | 1 |
| 3x6 | 0.14 | 0 |
| 6x9 | 0.11 | -1 |
| 9x12 | 0.10 | 0 |
| 3x9 | 0.16 | -1 |
| 6x12 | 0.15 | 0 |

Measures of fiscal risk

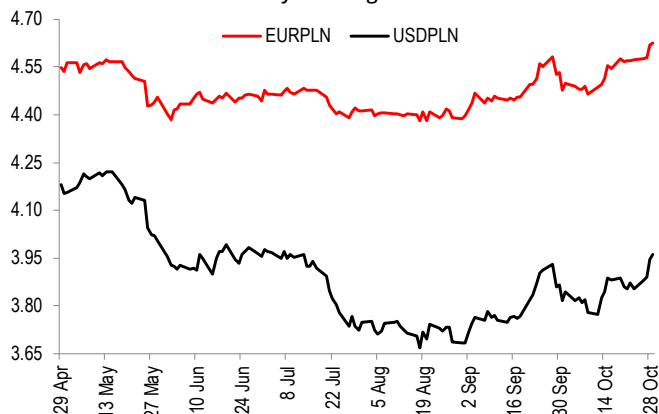
| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 60 | 0 | 179 | 0 |
| France | 10 | 0 | 28 | -2 |
| Hungary | 63 | 0 | 300 | -2 |
| Spain | 60 | -1 | 77 | -3 |
| Italy | 89 | -5 | 134 | -6 |
| Portugal | 38 | 0 | 75 | -4 |
| Ireland | 18 | 0 | 37 | -2 |
| Germany | 8 | 0 | - | - |

* 10Y treasury bonds over 10Y Bunds

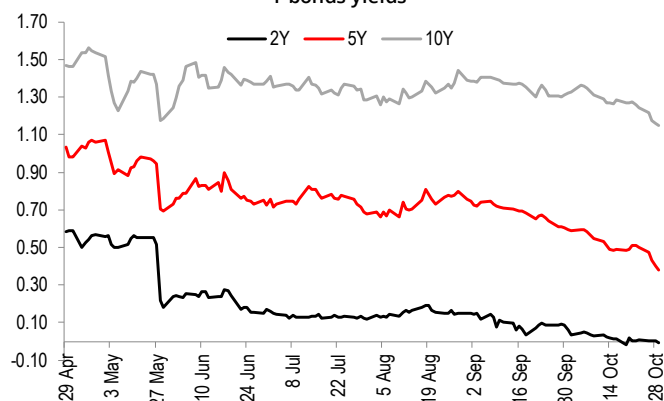
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

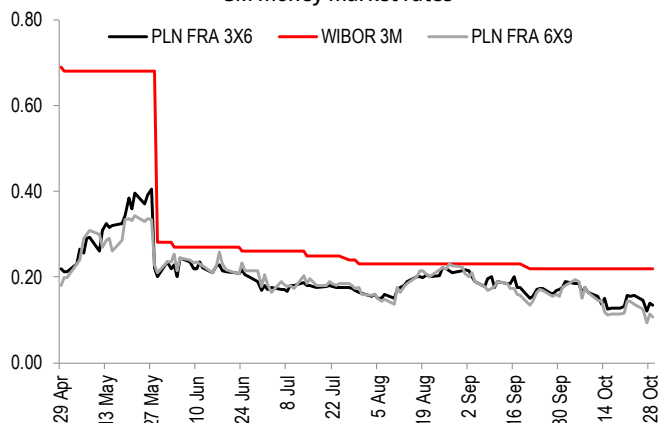
Zloty exchange rate



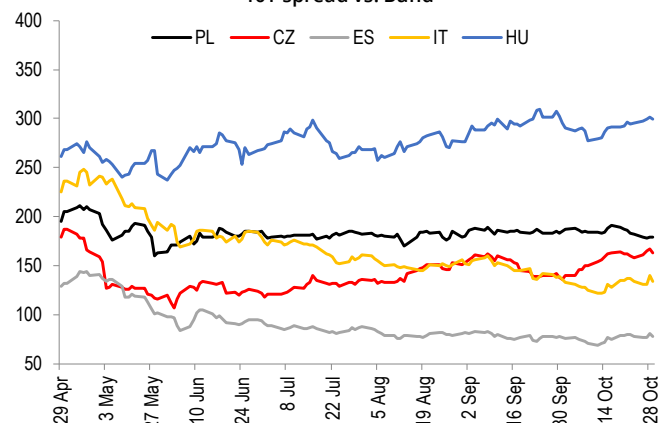
T-bonds yields



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 | - | 90.9 | 90.9 |
| 13:30 | US | GDP Annualized | 3Q | % Q/Q | 31.9 | - | 33.1 | -31.4 |
| 13:45 | EZ | ECB Main Refinancing Rate | | % | 0.0 | - | 0.0 | 0.0 |
| 14:00 | DE | HICP | Oct | % m/m | -0.2 | - | 0.0 | -0.4 |
| 14:30 | US | Initial Jobless Claims | week | k | 870 | - | 751 | 791 |
| 15:00 | US | Pending Home Sales | Sep | % m/m | 3.5 | - | -2.2 | 8.8 |
| FRIDAY (30 October) | | | | | | | | |
| 10:00 | DE | GDP WDA | 3Q | % y/y | -5.5 | - | | -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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