

3 November 2020

Eyeopener

Decent manufacturing PMIs

Significant increases in European stocks after better than expected PMI data

EURPLN broke below 4.60

Yield of 10Y POLGB stable at around 1.19%

Today US data (durables good orders and factory orders)

The start of November was marked by a series of manufacturing PMI indexes (for October) which in many countries have risen even more above the 50-point breakeven level above which they were already in the previous month. It was the case of China, India, the Eurozone, Germany, France, Italy, Spain, Sweden and Norway, Turkey, South Africa, Poland, Hungary, Czechia and, last but not least, the USA. The manufacturing PMI declined on a m/m basis in Malaysia and Russia. The dollar and core market yields volatility was subdued as markets await the US presidential elections outcomes and US macroeconomic data further in the week.

Poland's October PMI stayed unchanged at 50.8 pts, which means it beat expectations by 0.4 pts. The report shows that local demand is dragging industrial activity while export orders indicator is the strongest since Jan18. Despite weaker assessment of business outlook, companies were recruiting (employment component the highest in two years). They also signalled some issues with employees' availability due to quarantine. Industry and exports may remain the bright spot of the economy crippled by anti-pandemic restrictions in the coming months.

The **NBP credit survey** showed that in 3Q despite the improvement in the economic situation, the companies' demand for credit remained in a noticeable decreasing trend, while the demand for mortgage and consumption loans was stable. According to the survey, in 4Q banks planned to relax credit policies and expected stronger demand in all segments of the credit market. However, the survey was conducted in early October hence the changed pandemic situation might have made the banks' views quoted above obsolete.

We have changed **our Poland GDP growth forecasts**: 2020 remained roughly unchanged at c.-3%, due to (a) increasing the estimate for 3Q, (b) lowering 4Q, (c) revisions of historical data. Forecast for 2021 is lowered by c.1pp, to c.4%, taking into account a risk of problems with the coronavirus prolonging until 1Q21, which will lower the "starting point" for the entire year. Find more in our recent **MACROscope** "Bumpy road towards normalisation".

EURUSD started the week at 1.165 and closed the day at 1.163 after the very low intraday volatility (1.162-1.165). Last week, risk reversals up to three months neared zero or entered the negative territory signaling higher probability of the dollar appreciation.

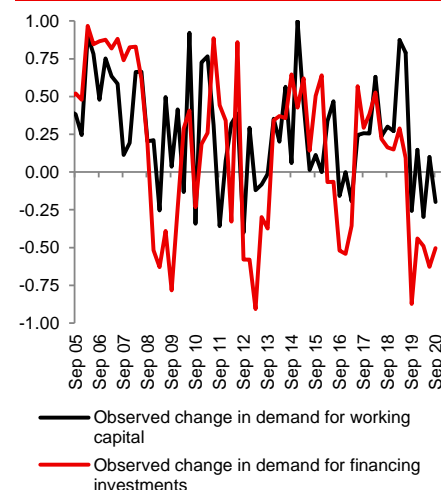
EURPLN was stable for the better part of the day just like its CEE peers and only in the afternoon started to decline, crossed the 4.60 level and closed at 4.598.

In case of the remaining **CEE currencies**, EURHUF was trading for the better part of the day slightly above 366 and rose to 367 only for a while and closed at 366.2. The October Hungarian manufacturing PMI was better than expected for the first time since February and returned above 50.1 pts. Moreover, September PPI rose to 5.2% y/y from 3.6% y/y a month earlier. EURCZK fell quite noticeably – yesterday by 0.5% and the three-day drop amounted to 1.3%. The Czech PMI reading also beat expectations. The ruble lost noticeably after the poor PMI release (46.9 pts) – the ruble basket broke important resistance at 85.0 with USDRUB rising 1.4% to 80.5.

On the domestic **interest rate market** the FRA and IRS curves remained stable and flows were balanced. The 5Y IRS stood at 0.50%, the 10Y at 0.94%. Bonds also traded fairly stable around Friday closing levels, with the 10Y bond yield closing at 1.19%. The 10 PL-DE bond yield spread ended the day at 182bp.

Bloomberg news agency informed based on anonymous source that the Wednesday scheduled MPC meeting is to be postponed until Friday, 6 November. There is no official confirmation of this.

NBP credit survey, indexes of corporate credit demand



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.5931	CZKPLN	0.1678
USDPLN	3.9412	HUFPLN*	1.2559
EURUSD	1.1657	RUBPLN	0.0492
CHFPLN	4.2910	NOKPLN	0.4137
GBPPLN	5.0931	DKKPLN	0.6159
USDCNY	6.6945	SEKPLN	0.4437

*for 100HUF

Last session in the FX market

02.11.2020

	min	max	open	close	fixing
EURPLN	4.590	4.616	4.610	4.607	4.605
USDPLN	3.944	3.972	3.960	3.961	3.956
EURUSD	1.162	1.166	1.164	1.163	-

Interest rate market 02.11.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.01	0
PS0425 (5Y)	0.39	1
DS1030 (10Y)	1.19	0

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.15	0.21	-0.55
2L	0.20	0.24	-0.54
3L	0.27	0.27	-0.54
4L	0.38	0.35	-0.52
5L	0.50	0.43	-0.48
8L	0.79	0.71	-0.36
10L	0.95	0.85	-0.27

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	-1
SW	0.12	0
2W	0.17	0
1M	0.20	0
3M	0.22	0
6M	0.25	0
1Y	0.25	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.19	0
3x6	0.14	0
6x9	0.11	0
9x12	0.11	0
3x9	0.18	2
6x12	0.17	2

Measures of fiscal risk

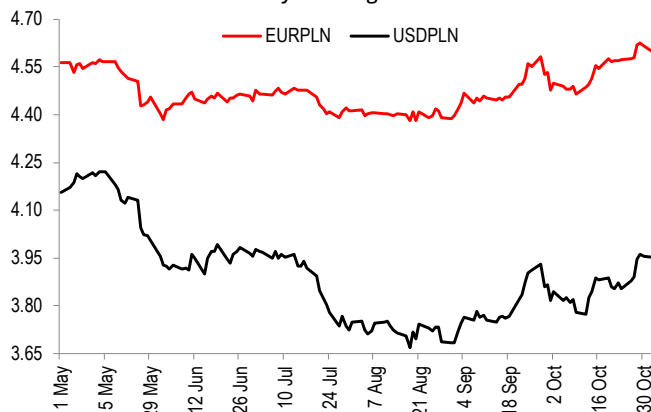
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	59	183
France	10	29
Hungary	63	298
Spain	60	76
Italy	90	135
Portugal	38	75
Ireland	18	37
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

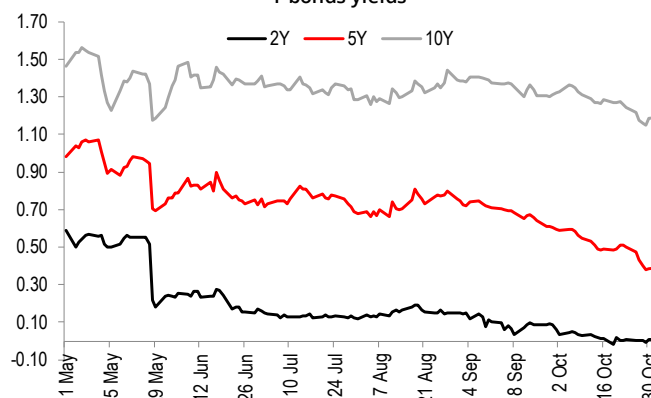
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

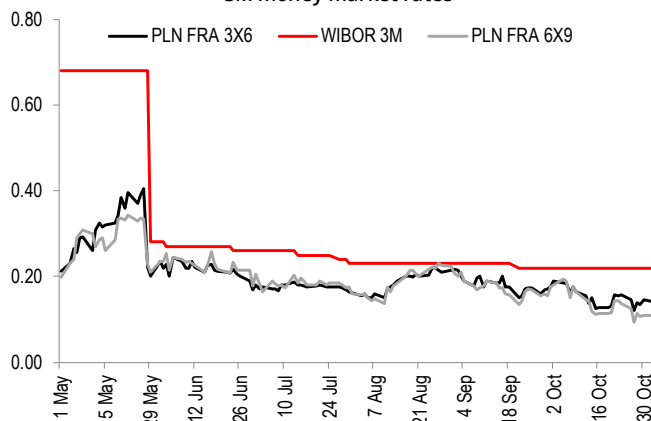
Zloty exchange rate



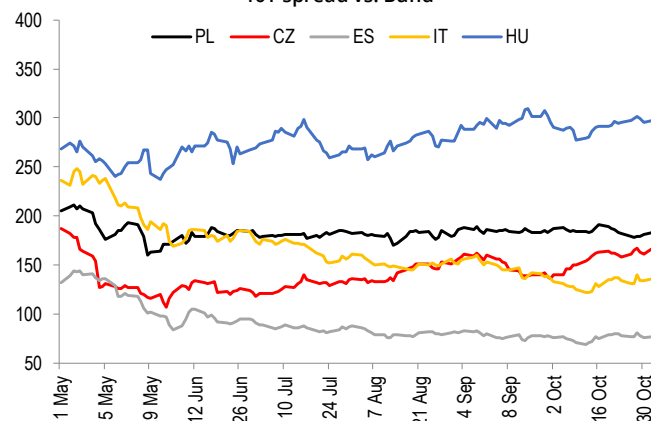
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (30 October)							
08:00	DE	Retail Sales	Sep	% m/m	-0.6	-2.2	1.8
09:00	CZ	GDP SA	3Q	% y/y	-6.7	-5.8	-10.9
10:00	PL	CPI	Oct	% y/y	3.1	3.1	3.0
10:00	DE	GDP WDA	3Q	% y/y	-5.5	-4.3	-11.3
11:00	EZ	Flash HICP	Oct	% y/y	-0.3	-0.3	-0.3
11:00	EZ	GDP SA	3Q	% y/y	-7.0	-4.3	-14.8
11:00	EZ	Unemployment Rate	Sep	%	8.2	-8.3	8.1
13:30	US	Personal Spending	Sep	% m/m	1.0	1.4	1.0
13:30	US	Personal Income	Sep	% m/m	0.4	0.9	-2.7
13:30	US	PCE Deflator SA	Sep	% m/m	0.2	0.2	0.3
15:00	US	Michigan index	Oct	pts	81.2	81.8	81.2
MONDAY (2 November)							
09:00	PL	Poland Manufacturing PMI	Oct	pts	51.2	50.7	50.8
09:55	DE	Germany Manufacturing PMI	Oct	pts	58.8	58.2	58.0
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	54.4	54.8	54.4
16:00	US	ISM manufacturing	Oct	pts	55.6	59.3	55.4
TUESDAY (3 November)							
16:00	US	Durable Goods Orders	Sep	% m/m	-	-	1.9
16:00	US	Factory Orders	Sep	% m/m	0.3	-	0.7
WEDNESDAY (4 November)							
	PL	MPC decision		%	0.1	0.1	-
02:45	CN	Caixin China PMI Services	Oct	pts	55.0	-	54.8
09:55	DE	Markit Germany Services PMI	Oct	pts	48.9	-	48.9
10:00	EZ	Eurozone Services PMI	Oct	pts	46.2	-	46.2
14:15	US	ADP report	Oct	k	750.0	-	748.7
16:00	US	ISM services	Oct	pts	57.5	-	57.8
THURSDAY (5 November)							
08:00	DE	Factory Orders	Sep	% m/m	2.0	-	4.5
11:00	EZ	Retail Sales	Sep	% m/m	-1.5	-	4.4
13:30	US	Initial Jobless Claims		k	770.0	-	751.0
14:30	CZ	Central Bank Rate Decision	Nov.20		-	-	0.3
20:00	US	FOMC decision	Nov.20		0.25	-	0.25
FRIDAY (6 November)							
08:00	DE	Industrial Production SA	Sep	% m/m	3.5	-	-0.2
09:00	CZ	Industrial Production	Sep	% y/y	-	-	-8.0
09:00	HU	Industrial Production SA	Sep	% y/y	-	-	-0.2
14:30	US	Change in Nonfarm Payrolls	Oct	k	610.0	-	661.0
14:30	US	Unemployment Rate	Oct	%	7.7	-	7.9

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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