

4 November 2020

# Eyeopener

## Election jitters on the market

Partial US election results caused high optimism followed by doubts  
MPC meeting postponed to Friday  
EURPLN dropped much, but already offsets the move  
Belly of Polish yield curve declined  
Today a series of services PMI indexes

On Tuesday, just before the finale of US presidential elections, markets were quite optimistic and main stock indices in Asia, Europa and USA were rising more than 2%. Dollar was weakening and EM currencies were strengthening. Commodity prices were up (Brent oil by 4%, to US\$38.3 per barrel, industrial and precious metals by c.1%). Regarding core markets' bond yields: Bund remained at -0.62% and 10Y UST rose by 3bp to 0.88%. As for economic data: US durable goods orders in September were slightly better than expected, while industrial orders much better. China's services PMI rose more than expected, similarly as earlier manufacturing PMI. The US presidential elections results from some states are already known, but the final result is still unclear. Donald Trump has already started questioning the elections' conduct – for markets it implies elevated volatility, which can be seen for example in the morning by a reversal of yesterday's EM currencies' appreciation.

Polish **MPC postponed its November meeting** until Friday from today. The central bank did not comment on the reason behind this decision. The publication of minutes from the October meeting was also postponed, until Tuesday, 10 November.

**Polish government spokesman** Piotr Mueller said that the decisions regarding further economic curbs will be taken on Wednesday (today) or Thursday during a press conference. The speaker added that he is not aware that the change of the MPC meeting date (from 4 to 6 November) has been in any measure related to the talks between the NBP and the government. At the same time **Health Minister** Adam Niedzielski stated that it absolutely cannot be said that the risk of a full-blown lockdown has diminished. The sitting of the lower chamber of the parliament has also been postponed, from 4-5 November to 18-19 November.

**EURUSD** on Tuesday opened at 1.163 and then steadily gained during the day reaching 1.172. Overnight, however, the currency pair reacted to the US presidential election news and on Wednesday morning is again near the Tuesday opening level.

**EURPLN** has declined dynamically on Tuesday and closed at 4.555 – 1% below the open. The currency pair managed to reverse almost the whole move by today morning and opened at 4.587. In the short term the EURPLN will heavily depend on the US presidential election situation and this implies heightened volatility. Yesterday, USDPLN declined to 3.887, CHFPLN to 4.255, GBPPLN to 5.070.

The remaining **CEE currencies** also gained. EURHUF fell 0.6% to 363.8 with the daily low slightly below 362.0. EURCZK fell 1% to 26.85, important support level. Both down moves are being reversed today in the morning. USDRUB fell by as much as 1.7% which was the result of the ruble recovery after the recent depreciation and a response to the rising oil price and weaker dollar.

On the domestic **interest rate market** short-term bonds were hovering around 0% while longer bonds gained. The 5Y bond yield closed at 0.36% and 10Y at 1.18% after c2bp drop. In terms of the asset swap, Polish bonds look expensive: the 5Y spread is at -12bp and the 6Y reached 0 on Tuesday. The 10Y PL-DE bond yield spread closed at 180bp.

EURPLN Spot



Source: Bloomberg, Santander

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## FX market

### Today's opening

EURPLN	4.5835	CZKPLN	0.1680
USDPLN	3.9402	HUFPLN*	1.2415
EURUSD	1.1636	RUBPLN	0.0500
CHFPLN	4.2969	NOKPLN	0.4127
GBPPLN	5.1099	DKKPLN	0.6159
USDCNY	6.7034	SEKPLN	0.4380

\*for 100HUF

### Last session in the FX market

03.11.2020

	min	max	open	close	fixing
EURPLN	4.537	4.601	4.595	4.538	4.570
USDPLN	3.868	3.945	3.943	3.871	3.907
EURUSD	1.165	1.174	1.165	1.172	-

## Interest rate market 03.11.2020

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

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.02	1
PS0425 (5Y)	0.36	-3
DS1030 (10Y)	1.18	-1

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

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.14	-1	0.21	0	-0.54	1
2L	0.17	-3	0.24	1	-0.54	0
3L	0.24	-3	0.29	1	-0.53	1
4L	0.35	-2	0.35	1	-0.51	1
5L	0.48	-2	0.45	2	-0.48	0
8L	0.78	-2	0.74	3	-0.35	1
10L	0.94	-1	0.89	4	-0.26	1

## WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.09	-1
SW	0.12	0
2W	0.17	0
1M	0.20	0
3M	0.22	0
6M	0.25	0
1Y	0.25	0

## FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	0.16	-3
3x6	0.11	-3
6x9	0.09	-3
9x12	0.08	-3
3x9	0.14	-4
6x12	0.12	-5

## Measures of fiscal risk

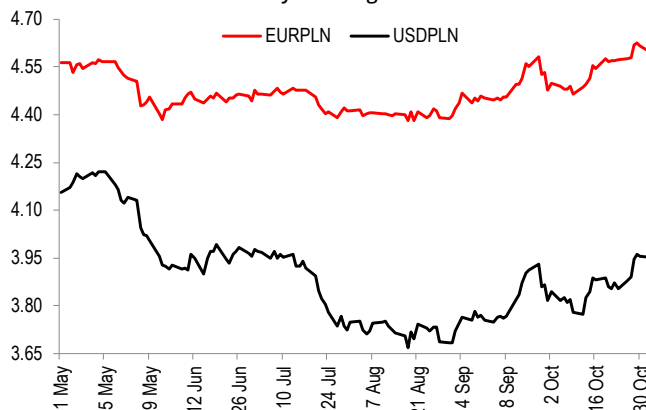
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	59	0	183	2
France	10	0	29	1
Hungary	63	0	298	2
Spain	58	-2	76	0
Italy	88	-1	135	1
Portugal	36	-3	75	1
Ireland	15	-3	37	0
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

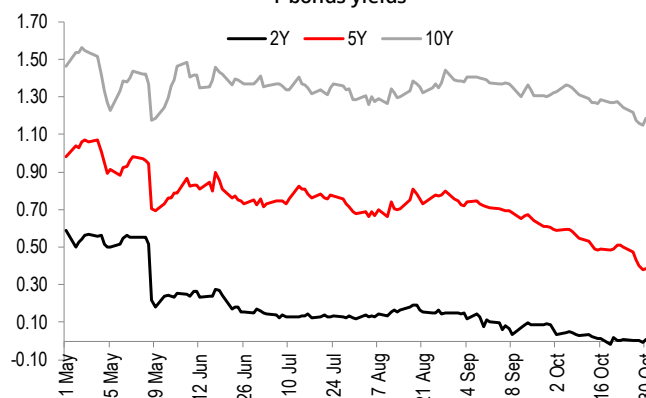
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

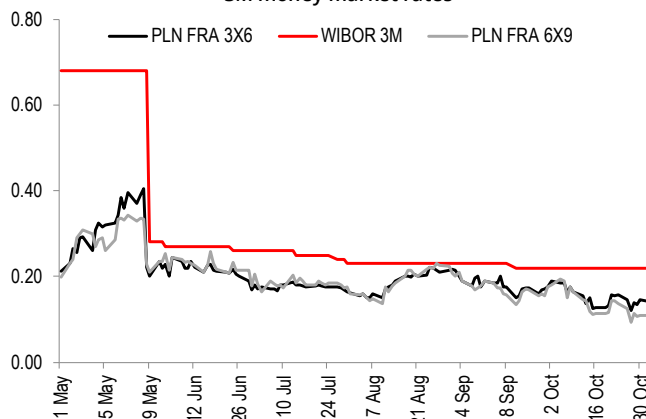
## Zloty exchange rate



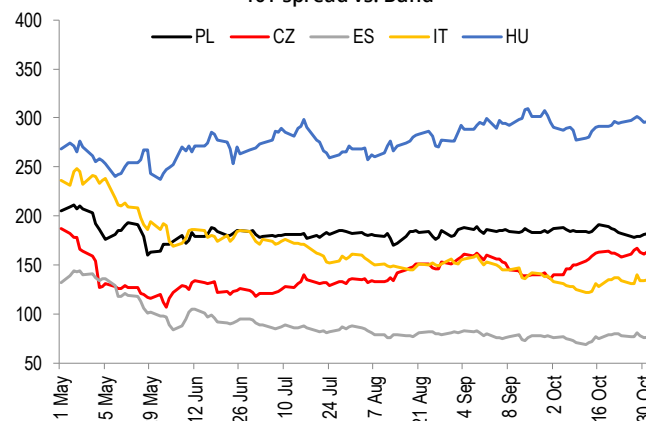
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
<b>FRIDAY (30 October)</b>								
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
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Oct</b>	<b>% y/y</b>	<b>3.1</b>	<b>3.1</b>	<b>3.0</b>	<b>3.2</b>
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
<b>MONDAY (2 November)</b>								
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Oct</b>	<b>pts</b>	<b>51.2</b>	<b>50.7</b>	<b>50.8</b>	<b>50.8</b>
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
<b>TUESDAY (3 November)</b>								
16:00	US	Durable Goods Orders	Sep	% m/m	1.9		-	1.9
16:00	US	Factory Orders	Sep	% m/m	1.0		1.1	0.7
<b>WEDNESDAY (4 November)</b>								
02:45	CN	Caixin China PMI Services	Oct	pts	55.0		56.8	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
<b>THURSDAY (5 November)</b>								
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
<b>FRIDAY (6 November)</b>								
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>0.1</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>
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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