

5 November 2020

Eyeopener

Lockdown is near

Very volatile day on FX markets, equities end the day with gains
 New restrictions announced, full lockdown likely soon
 EURPLN from 4.55 to 4.60 and back
 POLGBs more and more expensive, 10Y at 1.14%
 Today FOMC and CNB decide on rates, Eurozone retail sales

On Wednesday global equity markets were gaining – main stock indices in Europe and USA by over 1.5%; energy commodities and metals were also rising. Dollar and many other currencies had a very volatile session, though, due to changing predictions of the US elections results. Dollar, after significant weakening on Tuesday, trimmed losses on Wednesday night amid rising lead of the incumbent president, but then during the day was depreciating again as the result became less clear again and amid high probability of candidates questioning how elections were conducted. 10Y UST yield decreased by 13bp, to 0.77%.

A set of **services PMIs** for October was quite positive, among others in China, Sweden, USA. However, in the European countries the situation was not as positive: indices in UK, Italy, Spain declined, while in Germany and France the final readings were better than the flash ones, but still below 50 pts.

Prime Minister Mateusz Morawiecki announced yesterday further restrictions in the fight with Covid-19 such as: remote schooling (this time including grades 1-3) till end of November, closure of all cultural institutions, closure of most of the shops except for pharmacies, grocery stores and drugstores; hotels available only for business trips. The Prime Minister highlighted that in case that the number of Covid-19 cases keeps increasing further, he will announce a "National Quarantine" which would also include limits to moving around. At the same time, the conditions for such a move would be that the 7-day moving average of Covid-19 cases would reach 70-75 per 100k inhabitants, and this is quite likely to materialise soon. According to the Ministry of Health even in the "most optimistic" scenario the number of cases will stabilise near 25-30k per day (which implies 65-78 per 100k). At the conference further support measures were named based on making the current instruments be available for longer – longer applications time window for Financial Shield, guarantees, job subsidies on furlough nad when employer cuts working time. The sectors on which restrictions have been imposed, if the drop in their revenues is sufficient, may have their social insurance paid by state while parts of the loans distributed earlier from the Financial Shield would not be required to be paid back. The overall size of the additional support was not indicated. The new restrictions and the risk of imposing even more restrictions in the nearest future imply that the risk to (-3.8% y/y) tilts towards the downside.

EURUSD started the day at 1.17 and started to rise gradually afterwards. However, this did not last long and the exchange rate soon dropped to 1.16. At the end of the day, it was back close to 1.17. Elevated volatility may hold until we have a final result of the US elections.

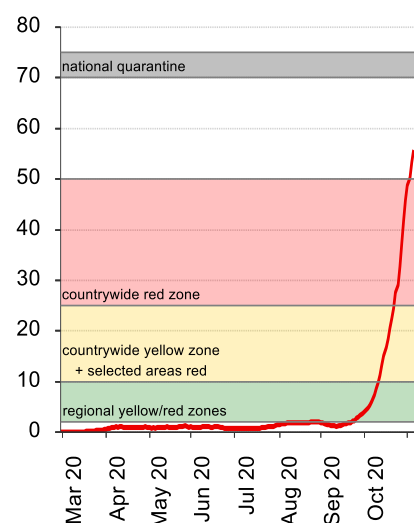
EURPLN witnessed a similarly volatile session like other currencies. EURPLN jumped to 4.60 from 4.55 and then returned to the opening level. The appreciation in the second part of the day was not disturbed by the PM Mateusz Morawiecki's announcement of further restrictions and his warning that full lockdown could be introduced if the near limit of 75 new cases per 100k is broken.

In case of the **other CEE currencies**, EURHUF rose to 367 but soon pulled back below the opening level, to 363.2. Minutes from the October Hungarian central bank meeting showed that there was unanimity to keep main rate unchanged at 0.60%. The central bankers agreed that high volatility persists on the money market and that risk factors remain at heightened level. EURCZK was stable at 26.83 and the Czech unemployment rate eased by 0.1pp to 3.7%. The ruble basket was on the downside for the second day in a row (the Russian currency was gaining) and fell below important 85.0 level. USDRUB fell to 71.8 and the two-day drop amounted to 3.5%.

On the domestic **interest rate market** FRA9x12 fell to 9bp with the 3M WIBOR still at 0.22%. The 2Y IRS fell to 0.15% and the two-day move amounted to 5bp. The 10Y IRS fell 4bp to 0.89%. Bond yields also headed down: 5Y to 0.32% and 10Y to 1.14%, -3bp in both cases. The 10Y PL-DE bond yield spread reached 178bp.

The **Ministry of Finance** announced that at the Friday's switch auction it will offer OK0423, PS0425, WZ1126, WZ1129 and DS1030 while it will repurchase WZ0121, PS0421, OK0521, PS0721 and DS1021

7-day average number of new COVID-19 cases per 100k persons in Poland with thresholds for tighter/looser restrictions



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.5416	CZKPLN	0.1677
USDPLN	3.8734	HUFPLN*	1.2404
EURUSD	1.1730	RUBPLN	0.0493
CHFPLN	4.2433	NOKPLN	0.4157
GBPPLN	5.0213	DKKPLN	0.6159
USDCNY	6.6410	SEKPLN	0.4416

*for 100HUF

Last session in the FX market

04.11.2020

	min	max	open	close	fixing
EURPLN	4.521	4.594	4.558	4.536	4.553
USDPLN	3.855	3.951	3.910	3.869	3.900
EURUSD	1.163	1.175	1.166	1.173	-

Interest rate market 04.11.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.01	-1
PS0425 (5Y)	0.32	-4
DS1030 (10Y)	1.15	-3

IRS on the interbank market**

Rate on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.13	-2	0.21	0	-0.55	-1
2L	0.16	-2	0.24	0	-0.54	0
3L	0.22	-2	0.26	-3	-0.54	-1
4L	0.32	-3	0.31	-5	-0.51	1
5L	0.44	-4	0.38	-6	-0.48	0
8L	0.73	-5	0.65	-9	-0.37	-2
10L	0.89	-5	0.79	-11	-0.27	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
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	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.17	1
3x6	0.11	0
6x9	0.09	0
9x12	0.09	1
3x9	0.14	-1
6x12	0.12	0

Measures of fiscal risk

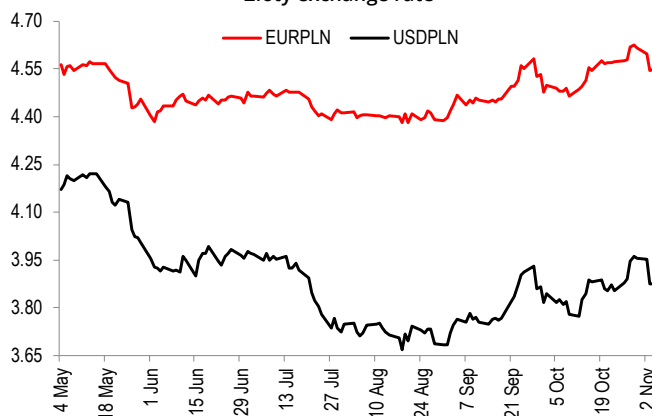
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	60	0	180	-3
France	10	0	28	-1
Hungary	63	0	290	-8
Spain	57	0	73	-3
Italy	85	-3	132	-4
Portugal	33	-2	71	-4
Ireland	15	0	36	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

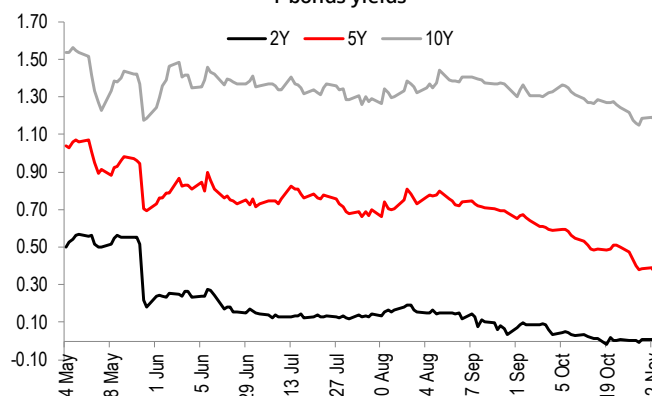
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

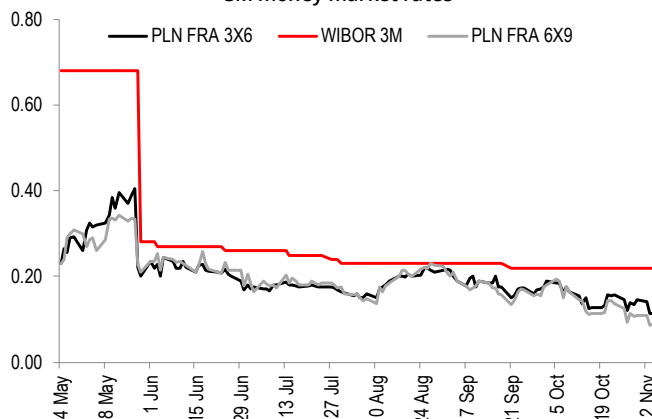
Zloty exchange rate



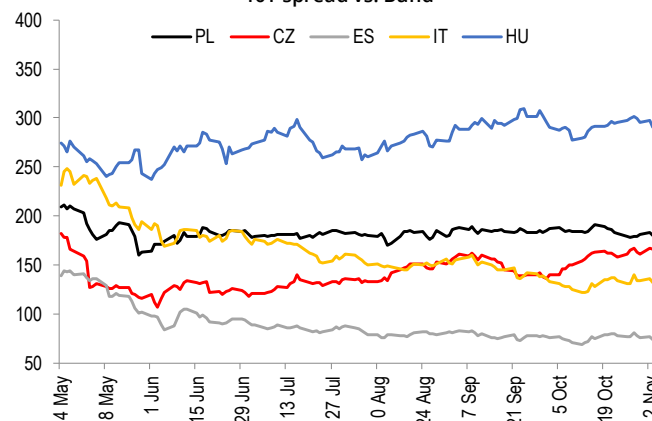
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

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	3.2
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	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		-	1.9
16:00	US	Factory Orders	Sep	% m/m	1.0		1.1	0.7
WEDNESDAY (4 November)								
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	643.0		365.0	748.7
16:00	US	ISM services	Oct	pts	57.5		56.6	57.8
THURSDAY (5 November)								
08:00	DE	Factory Orders	Sep	% m/m	2.0		0.5	4.9
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)								
	PL	MPC decision		%	0.1	0.1	-	0.1
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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