

9 November 2020

Eyeopener

Democratic US President

Quiet end of the week, Joe Biden wins Presidential elections on weekend
MPC does not surprise

EURPLN without abrupt changes, EURUSD slightly higher
Bond yields lower only temporarily

At the end of the week the situation on the stock and currency markets has stabilised somehow. Votes in the US presidential elections were still being counted and markets were a bit calmer. Monthly US jobs report showed slightly higher non-farm employment and bigger unemployment drop than expected. During the weekend it turned out that the already counted votes give Joe Biden the advantage, which secures victory in the presidential run.

The Monetary Policy Council kept interest rates unchanged, with the main reference rate at 0.1%, Lombard rate at 0.5% and deposit rate at 0.0%. The updated inflation projections were lifted notably for 2021-2022, with mid-points now consistent with the official 2.5% target. But the most important change, it seems, was a significant deterioration of GDP growth outlook for 2021 (mid-point down to 2.7%, vs previous 4.4% and current market consensus c.4%). At the same time, forecasts for 2020 and 2022 were improved (see details in the table below). Still, despite much more pessimistic outlook for next year's economic growth, the general tone of the official statement did not change dramatically, and it does not seem to herald any looming change in monetary policy. The central bank has recognized the increasing risk for economic growth going forward, stemming from the rising new wave of pandemic and the related restrictions. Also, it repeated the sentence that the pace of recovery may be limited by the lack of clear and persistent zloty weakening, despite the pandemic shock and monetary policy easing made so far. It confirms our view about still large MPC's tolerance for further zloty depreciation. Overall, we do not change our view that the main interest rates will remain on hold at least until the end of the MPC's term of office (early 2022).

PM Mateusz Morawiecki presented on Friday the plan of support for companies, affected by the recent restrictions. It includes longer applications time window for Financial Shield, guarantees, job subsidies on furlough and 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. Morawiecki's estimate of the cost of new package is PLN14-20bn assuming introduction of the full lockdown.

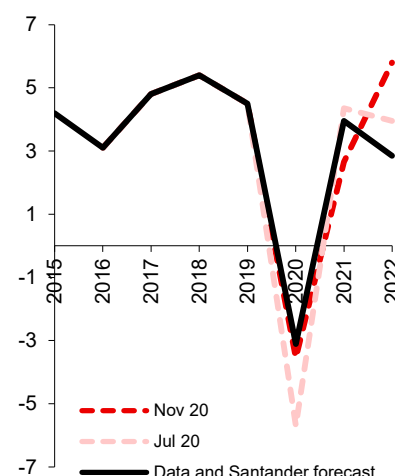
EURUSD rose on Friday for the fourth day in a row, but the move was less dynamic than before. EURUSD approached 1.19 amid declining changes for a large fiscal package in the USA (as the Joe Biden's proposal could be blocked by the Senate).

EURPLN was trading between the Thursday's low (4.503) and peak (4.546) and closed the day near 4.50. Further rise of EURUSD allowed USDPLN to fell below 3.79, its lowest since mid-October.

In case of the **other CEE currencies**, the koruna outperformed its peers (EURCZK fell 0.2% to 26.57), while the ruble underperformed (USDRUB up 1% to 77.48%). The Czech currency could have been supported by the comment of the governor of the Czech central bank (CNB). One day after the CNB left interest rates unchanged, Jiri Rusnok said there has been not much discussion about launching any nonstandard measures in monetary policy. The ruble was pressured by 2% drop of the oil price. EURHUF was stable near Thursday's close c358.

On the domestic **interest rate market** On the domestic interest rate market yields were falling since the beginning of the day with the 5Y bond yield reaching its new all-time-low at slightly below 0.28%. In the second part of the day, however, some profit taking took place. The trigger for a correction could have been lack of further monetary policy easing the market started to price in after the MPC meeting had been postponed. Additionally, core yields rose on Friday. The Polish IRS curve shifted 3-4bp up. The agenda of data releases for the coming days is not very rich and we do not think the readings could have a major impact on the markets. On Friday GUS will publish flash estimate of 3Q GDP, showing us what was the starting point for the decline of economic activity in the final three months of the year. Abroad, the market attention will likely remain focused on US elections and pandemic. Victory of Joe Biden should help the positive mood to stay on the market and EURPLN may head towards its 200-day moving average currently at 4.46. In the coming week, the 10Y bond yield shall stay in the 1.10-1.20% range. On Tuesday, the BGK bond auction will be held and the new central bank's inflation report will be published.

GDP growth according to NBP projections
(central path) vs Santander forecast



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4,4891	CZKPLN	0,1680
USDPLN	3,7790	HUFPLN*	1,2482
EURUSD	1,1881	RUBPLN	0,0491
CHFPLN	4,2214	NOKPLN	0,4136
GBPPLN	4,9793	DKKPLN	0,6159
USDCNY	6,5718	SEKPLN	0,4391

*for 100HUF

Last session in the FX market

06.11.2020

	min	max	open	close	fixing
EURPLN	4,499	4,541	4,525	4,509	4,528
USDPLN	3,785	3,840	3,831	3,795	3,819
EURUSD	1,181	1,189	1,181	1,188	-

Interest rate market 06.11.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0,01	1
PS0425 (5Y)	0,32	-1
DS1030 (10Y)	1,16	0

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0,17	0,20	-0,55
2L	0,21	0,24	-0,54
3L	0,28	0,27	-0,54
4L	0,39	0,34	-0,52
5L	0,52	0,42	-0,49
8L	0,82	0,68	-0,36
10L	0,99	0,83	-0,27

WIBOR rates

Term	%	Change (bps)
O/N	0,10	1
T/N	0,10	0
SW	0,11	0
2W	0,16	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	0,19	3
3x6	0,16	4
6x9	0,14	5
9x12	0,14	4
3x9	0,19	3
6x12	0,17	3

Measures of fiscal risk

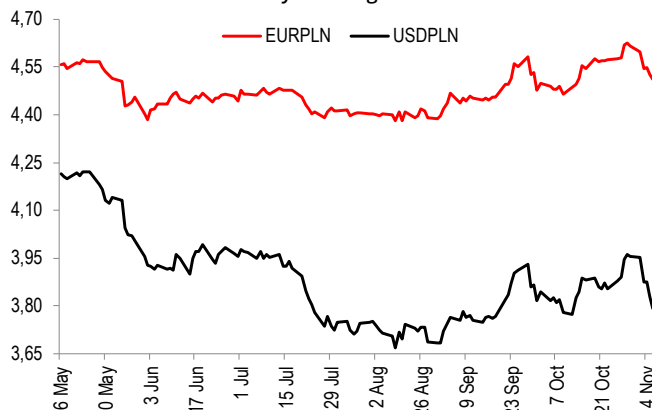
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	59	179
France	10	27
Hungary	62	277
Spain	56	73
Italy	82	127
Portugal	33	72
Ireland	15	35
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

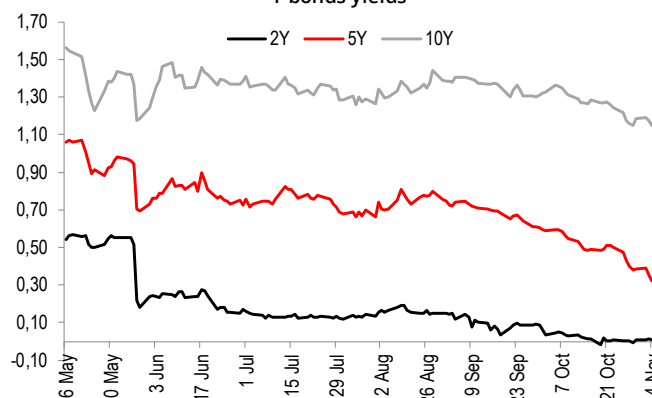
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

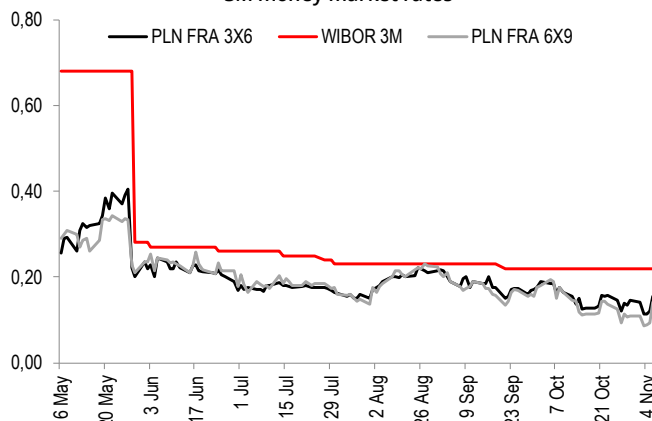
Zloty exchange rate



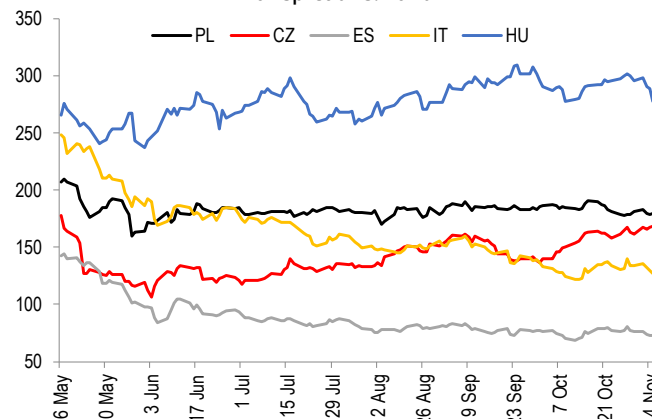
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (6 November)								
	PL	MPC decision		%	0.1	0.1	0.1	0.1
08:00	DE	Industrial Production SA	Sep	% m/m	2.5	-	1.6	-0.2
09:00	CZ	Industrial Production	Sep	% y/y	-5.0	-	-1.5	-8.0
09:00	HU	Industrial Production SA	Sep	% y/y	-3.2	-	-1.0	0.0
14:30	US	Change in Nonfarm Payrolls	Oct	k	590.0	-	638	661
14:30	US	Unemployment Rate	Oct	%	7.65	-	6.9	7.9
MONDAY (9 November)								
08:00	DE	Exports SA	Sep	% m/m	1.0	-	2.3	2.4
TUESDAY (10 November)								
09:00	CZ	CPI	Oct	% y/y	3.0	-		3.2
09:00	HU	CPI	Oct	% y/y	-	-		3.4
11:00	DE	ZEW Survey Current Situation	Nov	pts	-65.0	-		-59.5
WEDNESDAY (11 November)								
	PL	The Independence Day						
THURSDAY (12 November)								
08:00	DE	HICP	Oct	% m/m	0.0	-		0.0
11:00	EZ	Industrial Production SA	Sep	% m/m	0.9	-		0.7
14:30	US	CPI	Oct	% m/m	0.2	-		0.2
14:30	US	Initial Jobless Claims	week	k	735	-		751
FRIDAY (13 November)								
09:00	HU	GDP	3Q	% y/y	-	-	-	-13.6
10:00	PL	CPI	Oct	% y/y	-	3.0	-	3.0
10:00	PL	Flash GDP	3Q	% y/y	-1.2	-1.8	-	-8.4
11:00	EZ	GDP SA	3Q	% y/y	-4.3	-	-	-4.3
14:00	PL	Current Account Balance	Sep	€mn	1 619	2 698	-	947
14:00	PL	Trade Balance	Sep	€mn	1 400	2 435	-	735
14:00	PL	Exports	Sep	€mn	20 900	21 904	-	17 730
14:00	PL	Imports	Sep	€mn	19 575	19 469	-	16 995
16:00	US	Flash Michigan index	Nov	pts	82.0	-	-	81.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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