

10 November 2020

# Eyeopener

## Vaccine for the market

Increased volatility after the vaccine news  
 EURPLN temporarily lower, EURUSD briefly higher  
 Bonds in Poland and abroad lose  
 Today German ZEW and inflation data in Hungary and Czech

The new week started in very positive moods, as the victory of Democratic candidate Joe Biden and keeping control over Senate by the Republicans has been perceived as a favourable combination and higher-risk assets have been gaining since the early morning. In the middle of the day another positive news appeared, as Pfizer and BioNTech informed about promising results of testing of their Covid-19 vaccine. After this news, equity markets in the USA climbed to new all-time highs, bonds started weakening sharply and euro gained versus dollar and Swiss franc. Brent oil price went up 10% and gold price declined c.4%.

Yesterday the **NBP released the MPC's opinion** about the 2021 draft budget. According to the Council, the macroeconomic assumptions underlying the draft are realistic, although there is downward risk for economic growth (assumed by the government at 4%) and upward risk for inflation (assumed at 1.8% on average). Today at 10:00 the NBP's Inflation Report will be released, but we already know from the Friday's MPC press release that the central path predicted by the central bank shows GDP at 2.7% and inflation at 2.5% in 2021. According to the MPC the government should not hurry too much with fiscal deficit reduction, and the priority should be further support for the economy and neutralising negative effects of the pandemic.

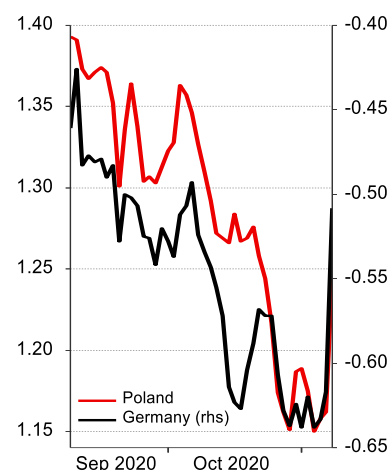
**EURUSD** managed to breach 1.19 temporarily, reaching the highest level since September, after the news about positive tests of Covid-19 vaccine. However, the euro did not manage to hold gains for the entire day and EURUSD retraced to 1.182. The exchange rate reaction was quite gentle and temporary if we compare it to other exchange rates, for example USDJPY +2%, EURCHF +0.9%. Perhaps the magnitude of jump was limited by the proximity of important resistance zone 1.19-1.20, which has been limiting the EURUSD upward move potential since the early September.

**EURPLN** remained in downward trend observed since the end of October and yesterday temporarily broke through 4.46 – the support level indicated by us, determined by the 100- and 200-day moving averages. At the end of the day the rate rebounded towards 4.48. USDPLN started the session near 3.79, dropped temporarily to 3.745 (-1.1%) and at the end of the day returned almost to opening level. The fact that drop below 4.46 was short-lived, just like the EURUSD upward move, suggest that a stronger impulse may be needed to push the zloty towards further strengthening, especially amid increasing risk of full lockdown of the domestic economy.

In case of the **other CEE currencies**, the koruna and ruble gained while the forint remained stable. EURCZK fell for the third session in a row and in the last eight sessions it did not fall only once. As a result, yesterday it reached 26.4 for a while, its lowest since early September. The ruble benefited from a noticeable rebound of the oil price and USDRUB fell below 75.9 to its lowest since the second half of September. EURHUF was hovering around 358, just like on Friday, but the daily trading range was twofold of the one seen at the end of the week (1% vs 0.5%).

On the domestic **interest rate market** On the domestic interest rate market, just like on the core debt markets, the beginning of the week saw a sharp rise of IRS and bond yields fueled by the promising results of Covid-19 vaccination testing. Polish 5Y bond yield jumped by 6bp and to 0.38% and 10Y by 9bp to 1.25%. The respective IRS rates rebounded by 10bp – the 5Y to its highest since early October (0.62%) and 10Y to its highest since early September (1.10%). The 5Y5Y IRS forward rose 13bp to 1.60%. Yields of the 10Y Bund and UST rose by 13bp and 16bp to -0.50% and 0.97%, respectively.

Yield of Polish and German 10Y bonds



Source: NBP, Santander

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## FX market

### Today's opening

EURPLN	4.4845	CZKPLN	0.1674
USDPLN	3.7919	HUFPLN*	1.2482
EURUSD	1.1825	RUBPLN	0.0497
CHFPLN	4.1536	NOKPLN	0.4136
GBPPLN	4.9935	DKKPLN	0.6159
USDCNY	6.6136	SEKPLN	0.4391

\*for 100HUF

### Last session in the FX market

11/9/2020

	min	max	open	close	fixing
EURPLN	4.457	4.500	4.496	4.484	4.487
USDPLN	3.746	3.802	3.784	3.798	3.779
EURUSD	1.179	1.192	1.188	1.181	-

## Interest rate market 11/9/2020

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

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.03	2
PS0425 (5Y)	0.38	6
DS1030 (10Y)	1.25	9

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.19	0.21	-0.53
2L	0.27	0.25	-0.52
3L	0.36	0.30	-0.50
4L	0.48	0.38	-0.48
5L	0.62	0.48	-0.44
8L	0.93	0.77	-0.30
10L	1.10	0.93	-0.20

## WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
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	0
3x6	0.19	3
6x9	0.18	4
9x12	0.19	5
3x9	0.21	3
6x12	0.22	5

## Measures of fiscal risk

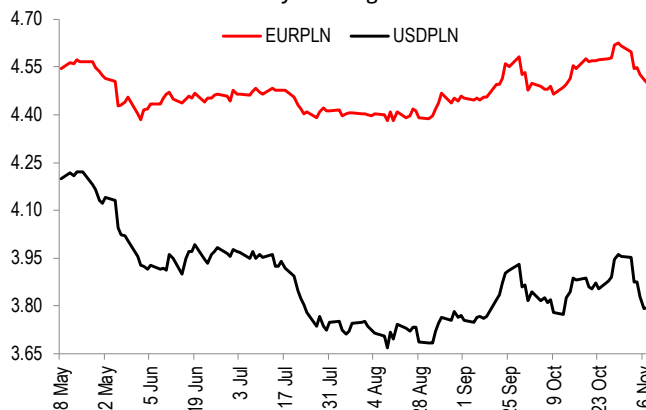
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	59	176
France	10	25
Hungary	62	269
Spain	55	70
Italy	80	123
Portugal	31	67
Ireland	15	34
Germany	8	-

\* 10Y treasury bonds over 10Y Bunds

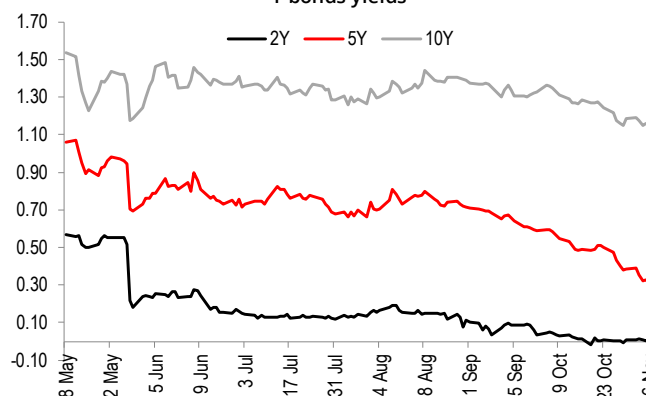
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

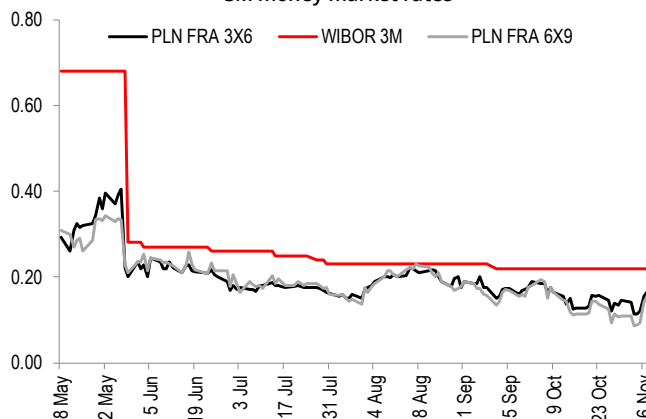
## Zloty exchange rate



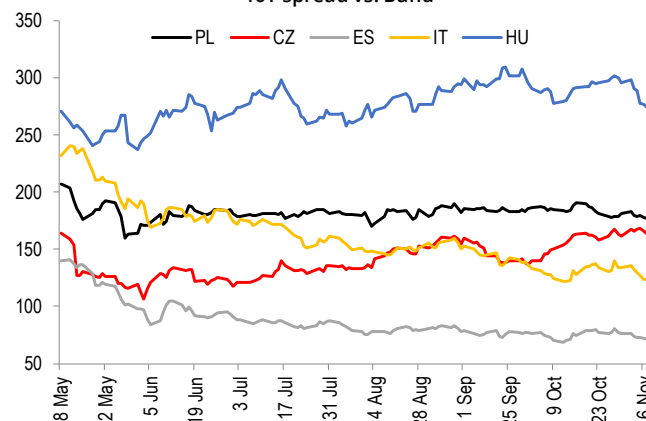
## T-bonds yields



## 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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