

12 November 2020

Eyeopener

Today US inflation

Positive impact of the vaccine news remains in place
EURPLN without much change, EURUSD lower
Bonds yields and IRS higher still
Today data from Eurozone and the US

On Tuesday market were still under positive influence of Monday information on Covid-19 vaccine, but the momentum was markedly weaker than one day before. Stock markets went up further, similarly as bond yields and oil prices, but gold also trimmed some of its losses. On the FX market exchange rates stabilised near to Monday close levels. October ZEW for Germany fell markedly and more than expected as compared to September. On Wednesday Russia and Turkey released their foreign trade data for September and both numbers recorded an improvement. Inflation in Romania fell to 2% y/y following the inflation trend visible in other CEE countries.

The **November Inflation Report** was presented on Tuesday. Fresh NBP forecasts include new restrictions introduced at the start of November. It was assumed that restrictions will not be as strict as in the spring and that they will last for a shorter time. In 2021-2022 the economic activity will be improving gradually, but this process is likely to be hindered by renewed waves of infections and restrictions. Until end of 2020 inflation is expected to remain elevated, but in 2021 will go down due to weaker demand and only small improvement in business activity. The NBP sees downward risks for both GDP and CPI due to pandemic-related uncertainty. As regards the illness: the central bank assumes it will be contained within one year and then the economy will return to business as usual. NBP estimated that interest rate cuts by 140bp in 2020 added 0.2pp to GDP growth and 0.1pp to CPI. Impact of bond purchases programme is estimated at 0.1pp for GDP and 0.2pp for CPI. On Tuesday we also got to see **October MPC minutes**, but this document did not carry any piece of information beyond what we already know from Friday meeting.

MPC's Eryk Łon, known for his dovish bias, thinks that November NBP forecasts support leaving NBP rates unchanged until end of 2022. In his view "it would be good to avoid negative interest rates".

EURUSD was hovering on Tuesday in 1.178-1.183 range trading around the Monday's close of c1.181. Further positive reaction of the equity market again did not have much impact on the exchange rate. On the other hand, the euro managed to keep gains it won vs the dollar last week. On Wednesday the market was liquid owing to market holiday in the USA and EURUSD eased by 0.45% to 1.1765 and this is also the opening level today.

EURPLN EURPLN more than neutralized Monday's drop and closed only slightly below 4.50 on Tuesday. USDPLN rose above 3.80. On Wednesday, however, EURPLN stated to fall again towards the 200-day moving average (4.46) but did not manage to reach it (4.477) which may be a sign that the market is temporary oversold. Today in the morning EURPLN is at 4.488 and may head towards 4.50 later in the day.

In case of the **other CEE currencies**, EURCZK and USDRUB remained on Tuesday between their Monday's lows and highs. Finally, some bigger move was recorded in case of EURHUF that fell to 356 from 358 and set the new November bottom. On Thursday, EURCZK starts the day at 26.45, EURHUF at 355.3 – roughly unchanged vs Tuesday. USDRUB is at 77.3, c+1% from Tuesday's close owing to, among others, the fact that OPEC lowered its forecast of demand for oil.

On the domestic **interest rate market** Tuesday saw further rise of IRS and bond yields. The 10Y bond yield added 3bp and reached 1.28%, the 5Y +8bp to 0.45%. The 2Y yield closed at 0.03%. The IRS curve shifted 2bp up on the front end, 5bp on the belly and 6bp on the long end. The 10Y PL-DE bond yield spread remained slightly below 180bp.

Polish central bank forecasts (% y/y)

	4Q20	1Q21	2Q21	3Q21	4Q21	2020	2021
GDP	-6.5	-4.5	7.5	1.6	8.4	-3.6	3.1
CPI	2.9	2.4	2.8	2.7	2.6	3.4	2.6

Source: Inflation report, Santander

Effect of anti-crisis measures (pp)

	Rate cuts	SOMO*		Fiscal package	
	2020	2020	2021	2020	2021
GDP	0.2	0.1	0.6	2.1	0.5
CPI	0.1	0.2	0.5	-0.1	0.5

*Structural Open Market Operations
Source: Inflation report, Santander

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FX market

Today's opening

EURPLN	4,4913	CZKPLN	0,1692
USDPLN	3,8167	HUFPLN*	1,2489
EURUSD	1,1769	RUBPLN	0,0494
CHFPLN	4,1629	NOKPLN	0,4180
GBPPLN	5,0278	DKKPLN	0,6031
USDCNY	6,6323	SEKPLN	0,4402

*for 100HUF

Last session in the FX market

11.11.2020

	min	max	open	close	fixing
EURPLN	4,475	4,507	4,502	4,484	4,506
USDPLN	3,793	3,819	3,806	3,811	3,817
EURUSD	1,174	1,183	1,182	1,176	-

Interest rate market 11.11.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0,05	0
PS0425 (5Y)	0,45	0
DS1030 (10Y)	1,27	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,20	0	0,23	1	-0,53	0
2L	0,29	0	0,27	1	-0,51	0
3L	0,38	0	0,32	1	-0,49	0
4L	0,52	0	0,41	1	-0,47	-1
5L	0,66	0	0,51	0	-0,43	-1
8L	0,98	0	0,80	-1	-0,30	-2
10L	1,15	0	0,96	0	-0,20	-2

WIBOR rates

Term	%	Change (bps)
O/N	0,09	-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	0,17	-1
3x6	0,17	0
6x9	0,20	0
9x12	0,24	0
3x9	0,22	0
6x12	0,25	0

Measures of fiscal risk

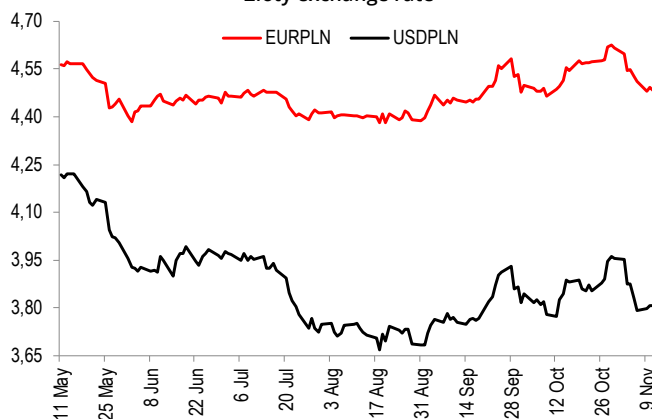
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	56	-3	178	2
France	10	0	24	0
Hungary	62	0	275	5
Spain	50	-3	67	-1
Italy	76	-2	120	-1
Portugal	28	0	64	0
Ireland	14	-1	33	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

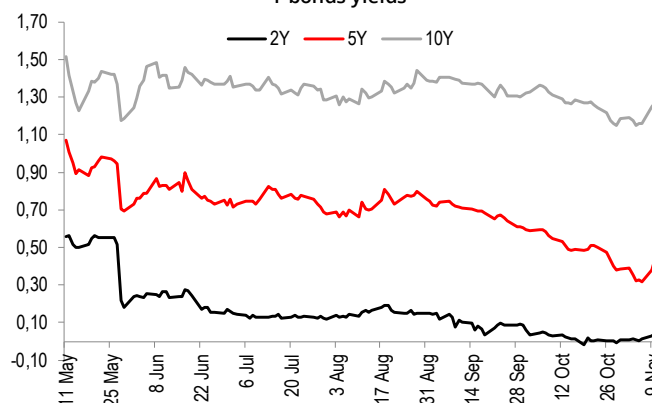
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

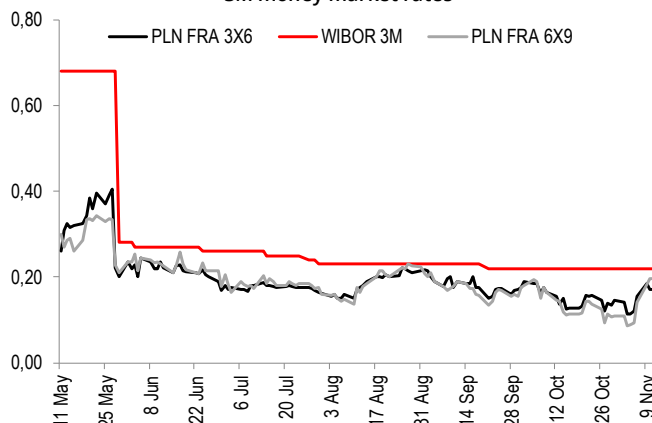
Zloty exchange rate



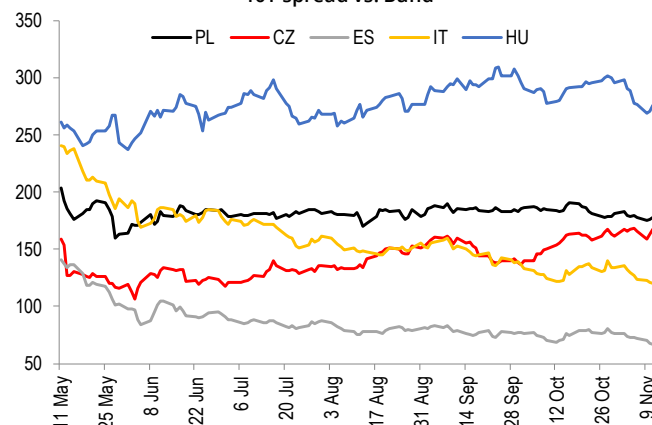
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
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	-	2.9	3.2
09:00	HU	CPI	Oct	% y/y	3.1	-	3.0	3.4
11:00	DE	ZEW Survey Current Situation	Nov	pts	-65.0	-	-64.3	-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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