

13 November 2020

# Eyeopener

## Today GDP and inflation

Vaccine induced optimism wanes  
 EURPLN and EURUSD relatively stable  
 Bonds gain as equities pause  
 Today preliminary Q3 GDP and October inflation data in Poland

On Thursday the market optimism triggered by information on Covid-19 vaccine has been gradually cooling down. Rising number of new coronavirus cases and introduction of new economic restrictions proved more important for short-term market outlook. This dragged the stock markets lower and supported bonds. The appreciation trend of CEE currencies slowed down or even reversed. The weekly initial claims in the USA were the lowest since the crisis started (709k), while October inflation – CPI and core – surprised slightly to the downside. Fed chair Jerome Powell said that the economy is advancing, but downward risks are present and mostly pertinent to the virus spread in the USA and the upcoming months could be challenging.

Current number of new coronavirus infections in two weeks is at about 65 per 100 thousand inhabitants. **Prime Minister Mateusz Morawiecki** commented that the number started to go down for the first time in a few months proving that restrictions have a positive effect. This stabilisation means that more radical steps will not be necessary.

**EURUSD** was hovering between the Wednesday peak (1.183) and low (1.174) and ended the session close to 1.18. Even though recently we learned about Joe Biden's victory in the USA presidential elections and ongoing development of effective Covid-19 vaccine, this was the most calm week since mid-October (when we look at min-max spread). In early September EURUSD hit the highest level since May 2018 (1.20) and since then is moving in 1.16-1.19 range. The market does not want to take a strong call in either direction and this is also visible in 1M risk reversal priced at zero. Today we will only get to see euro zone GDP for 3Q20 and flash Michigan index. These statistics are unlikely to change the EURUSD market picture.

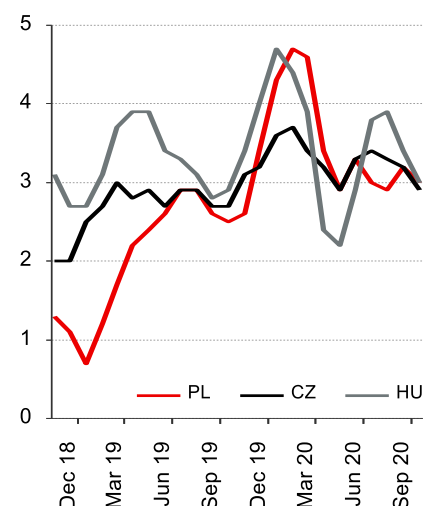
**EURPLN** and **USDPLN** did not move much yesterday and ended the session near their opening levels at 4.48 and 3.80, respectively. This week's EURPLN low set on Monday at 4.457 – close to the October low at 4.451 – and two moving averages (100- and 200-day) currently at c4.46-4.468 look to be a strong support for EURPLN that may limit the potential for further zloty appreciation in the short term.

In case of the **other CEE currencies**, the forint was the outperformer while the ruble and koruna lost slightly. EURHUF fell for the third day in a row reaching below 354 for a while, its lowest since early September. EURCZK rose for the second day in a row and touched 26.5. USDRUB broke Wednesday's peak and reached 77.6 but at the end of the day was back near 77.1. Yesterday, the CEE currencies performed better than their Asian or LatAm peers that gained less or even lost vs the dollar. The Turkish lira was yesterday the strongest of the EM currencies with USDTRY falling temporarily below 7.65, more than 10% off its record peak at 8.58 from November 6. The lira was supported by the resignation of the Turkish central bank governor and the finance minister announced in the recent days after Recep Erdogan expressed his dissatisfaction with the lira sharp depreciation.

On the domestic **interest rate market** IRS and bond yields fell 2-5bp, the most on the long ends of the curves. The 10Y German and US bond yields fell at a similar scale amid falling stock indexes and below-consensus US CPI. Since the start of the week, the 10Y PL-DE bond yield spread is very stable moving not more than 1bp vs last Friday's close. The 10Y asset swap spread is in a down trend and this tendency has strengthened since the start of November taking the spread below 14bp, its lowest since July 2019.

**Today at 10:00CET** the stat office will release 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. Together with the GDP, the final October CPI will be published – we do not expect it will differ much from the flash estimate at 3.0% y/y. **At 14:00CET**, the central bank will release September balance of payments data.

CPI inflation in CEE region (% y/y)



Source: Refinitiv Datastream, Santander Bank Polska

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 22 534 18 87  
 Marcin Łuziński +48 22 534 18 85  
 Wojciech Mazurkiewicz +48 22 534 18 86  
 Grzegorz Ogonek +48 22 534 19 23  
 Marcin Sulewski, CFA +48 22 534 18 84

## FX market

### Today's opening

EURPLN	4,4923	CZKPLN	0,1691
USDPLN	3,8039	HUFPLN*	1,2657
EURUSD	1,1815	RUBPLN	0,0492
CHFPLN	4,1585	NOKPLN	0,4142
GBPPLN	4,9991	DKKPLN	0,6033
USDCNY	6,6219	SEKPLN	0,4391

\*for 100HUF

### Last session in the FX market

12.11.2020

	min	max	open	close	fixing
EURPLN	4,477	4,494	4,480	4,483	4,487
USDPLN	3,791	3,819	3,805	3,795	3,800
EURUSD	1,176	1,182	1,177	1,181	-

## Interest rate market 12.11.2020

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

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0,03	-1
PS0425 (5Y)	0,43	-2
DS1030 (10Y)	1,23	-4

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0,20	0,23	-0,53
2L	0,28	0,25	-0,51
3L	0,36	0,29	-0,50
4L	0,49	0,36	-0,48
5L	0,64	0,44	-0,45
8L	0,94	0,71	-0,32
10L	1,12	0,86	-0,22

### WIBOR rates

Term	%	Change (bps)
O/N	0,10	1
T/N	0,10	0
SW	0,12	1
2W	0,17	1
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	0,21	4
3x6	0,18	1
6x9	0,18	-1
9x12	0,22	-1
3x9	0,22	1
6x12	0,24	-1

### Measures of fiscal risk

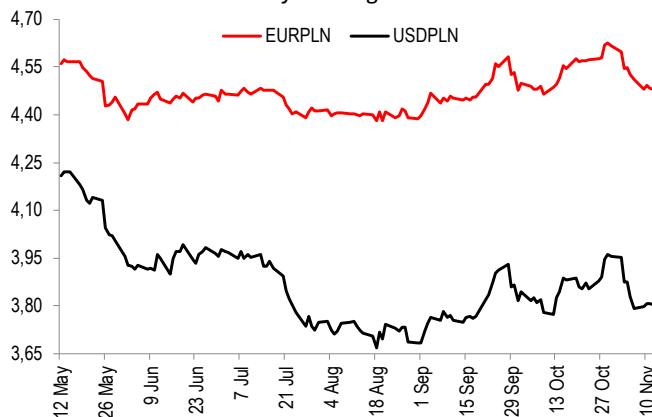
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	55	177
France	10	25
Hungary	62	275
Spain	50	67
Italy	76	118
Portugal	28	65
Ireland	14	33
Germany	8	-

\* 10Y treasury bonds over 10Y Bunds

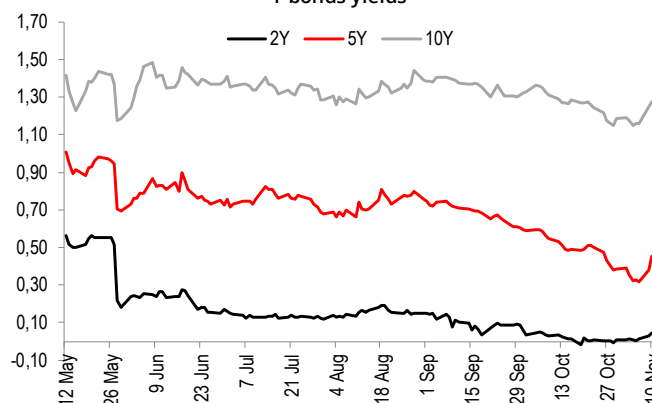
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

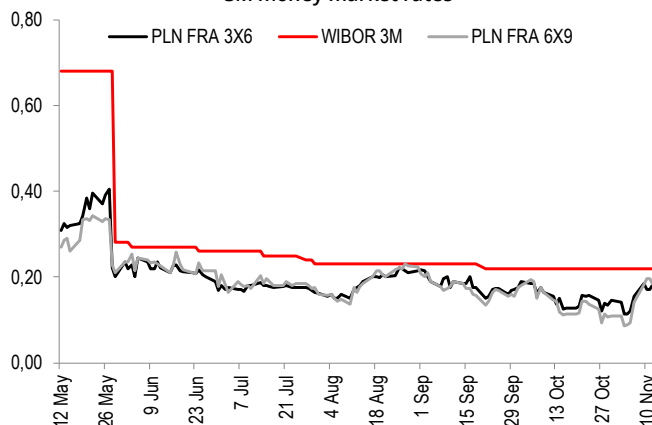
## Zloty exchange rate



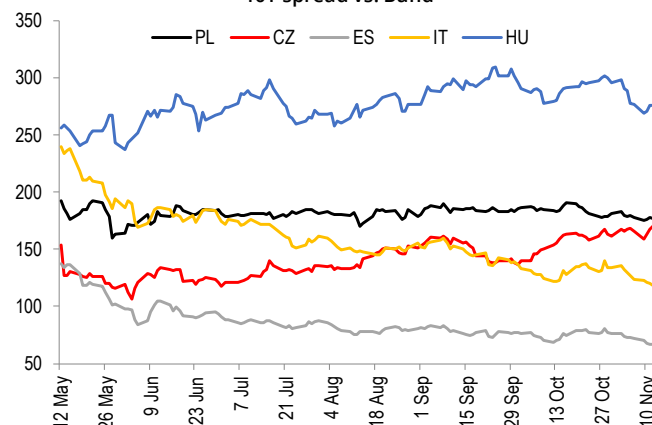
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

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	0.0
11:00	EZ	Industrial Production SA	Sep	% m/m	0.9	-	-0.4	0.6
14:30	US	CPI	Oct	% m/m	0.2	-	0.0	0.2
14:30	US	Initial Jobless Claims	week	k	735	-	709	757
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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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.