

16 November 2020

Eyeopener

Poland core CPI today

Calm Friday on the market
 EURPLN stable, EURUSD slightly up
 Bonds gain slightly after the last sell-off
 Today Poland core CPI

Markets were pretty stable on Friday after a quite volatile week, most of stock indexes were still rising gently. Core market yields did not change (Bund at -0.55%, UST at 0.89%), nor did oil price. EM fx changes were limited and balanced. Only the gold price changed a bit more, up 0.8% to US\$1890/oz after US Michigan University consumer sentiment index was reported dropping significantly.

GDP growth rebounded strongly in the third quarter: 7.7% q/q (s.a.) and -1.6% y/y, after a record-big slump recorded in Q2. This trend will not continue in Q4, as the new wave of pandemic and the related restrictions are likely to cause a contraction of business activity again. However, we still think the second dip will be much smaller than the first one, leaving the 2020 GDP forecast at around -3%. **October inflation** was revised to 3.1% y/y from 3.0% y/y in flash reading (and versus 3.2% in September). Core inflation most likely remained unchanged at 4.3% y/y or went a notch lower. We are expecting inflation to go down to 2.5% in December and to remain contained in 2021, allowing the MPC to comfortably leave rates unchanged. More details in our Friday's [Economic comment](#).

Current account balance showed +EUR1.1bn in September, below our and market expectations. Exports were slightly below our forecast, but proved robust and advanced by 4.6% y/y versus 2.5% y/y in August. Import surprised to the upside and rose by 1.5% y/y from -4.9% y/y in August (the first positive growth rate since February) and this was the main factor behind lower current account. 12m current account amounted to 3.1% of GDP and we expect it to improve further.

EURUSD was very calm on Friday, after having stabilized near 1.181 on Thursday mid-day. Only towards the end of the week has the currency pair rose slightly and closed at 1.182 which resulted in a 0.5% fall in a week on week basis. Today November Empire manufacturing and comments from Fed's Clarida are expected and might bring about some volatility.

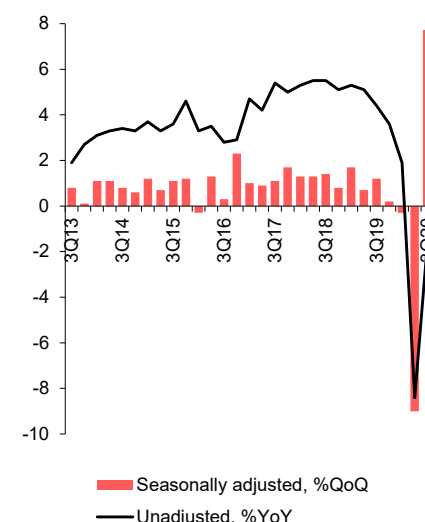
EURPLN was very calm on Friday (as well as on Thursday), the pair has not changed on a day to day basis and closed at 4.487. During the day, EURPLN briefly approached 4.50 but failed to break above and retraced lower. This week, we expect a range bound on the EURPLN market. Significant support resides at 4.47 (200-day moving average).

Other CEE currencies also were relatively quiet on Friday. EURHUF after having eight consecutive sessions in a row in which it closed lower, on Friday retraced 0.3% higher to 355.8; the week on week change equalled -0.9%. Preliminary Q3 GDP in Hungary printed at -4.6% y/y which was above market consensus of -5.3% y/y. EURCZK fell 0.3% to 26.4 after much better than expected October current account surplus of CZK32.8bn. EURCZK fell through the 200-day moving average and did not retrace back to it (26.66) hence the further fall towards 26.00 (-1.5%) are likely, in our opinion. USDRUB has increased further on Friday to 77.7 and ended the week flat, despite trading 75.9 (-2.3%) last Monday.

On the Polish fixed income market, yields of bonds on the short end of the curve remained above zero (e.g. 2Y at 0.02%) while yields of longer dated bonds declined correcting after a sell-off which took place earlier in the week due to Covid-19 vaccine news: 5Y closed the week at 0.42%, 10Y at 1.21%. Similarly IRS traded slightly lower (10Y to 1.11%), but in a broader context, the 10Y IRS moved back only by 5bp in total after having increased 28bp which suggests that it is the pandemic-related news that are most likely to influence the IRS and their randomness might contribute to increased volatility going forward.

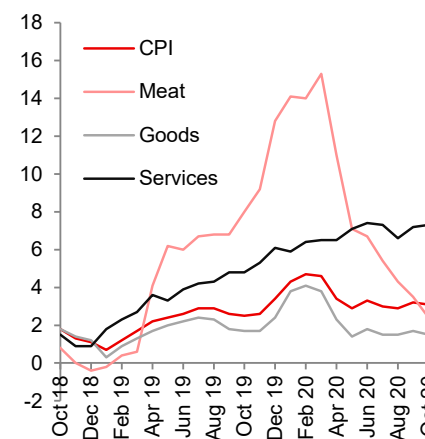
There are some new data releases in the next week's agenda: Polish data about core inflation, labour market, industrial output for October, which in our view will be still not affected too much by the recent wave of pandemic. Information about the pandemic spread are still important. As the number of officially reported cases in Poland has recently stabilised, the risk of "National Quarantine" introduction has decreased, at least for now. The issue to watch is the discussion on the EU budget as Poland threatened to veto the budget if the link with rule of law is maintained.

Poland GDP growth



Source: GUS, Santander

CPI, main categories, %y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.4780	CZKPLN	0.1692
USDPLN	3.7824	HUFPLN*	1.2489
EURUSD	1.1844	RUBPLN	0.0491
CHFPLN	4.1468	NOKPLN	0.4144
GBPPLN	4.9929	DKKPLN	0.6014
USDCNY	6.5782	SEKPLN	0.4366

*for 100HUF

Last session in the FX market

11/13/2020

	min	max	open	close	fixing
EURPLN	4.482	4.500	4.485	4.486	4.496
USDPLN	3.791	3.812	3.801	3.795	3.802
EURUSD	1.180	1.183	1.181	1.182	-

Interest rate market 11/13/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.03	-1
PS0425 (5Y)	0.42	-1
DS1030 (10Y)	1.21	-3

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.21	0.22	-0.54
2L	0.29	0.26	-0.52
3L	0.37	0.30	-0.51
4L	0.50	0.37	-0.48
5L	0.64	0.46	-0.45
8L	0.94	0.73	-0.32
10L	1.11	0.87	-0.22

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
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	0.20	-1
3x6	0.19	0
6x9	0.19	1
9x12	0.22	0
3x9	0.23	1
6x12	0.24	0

Measures of fiscal risk

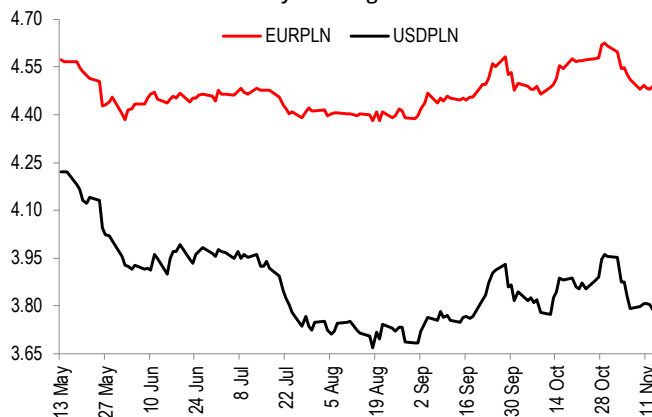
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	54	175
France	10	24
Hungary	62	273
Spain	50	66
Italy	77	118
Portugal	28	64
Ireland	14	33
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

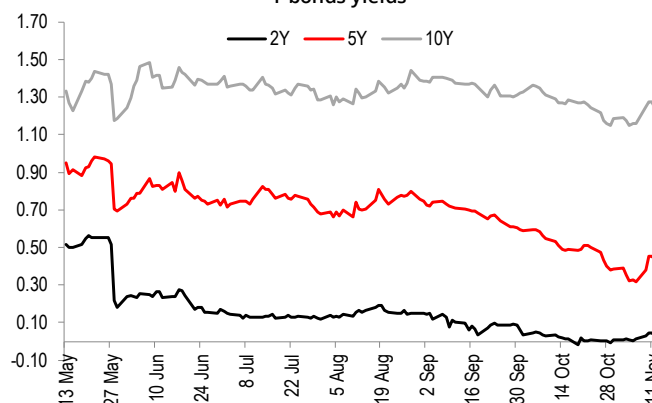
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

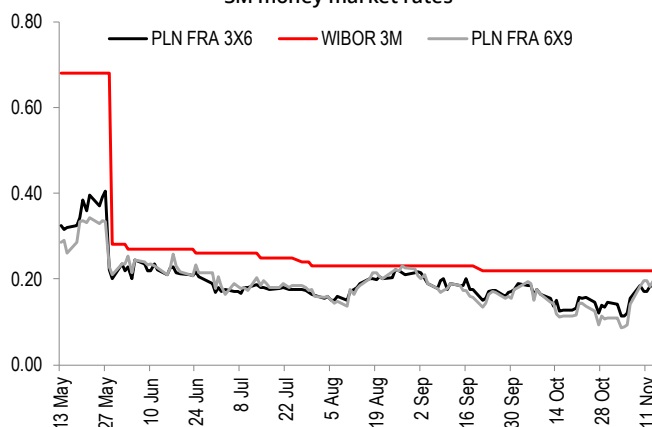
Zloty exchange rate



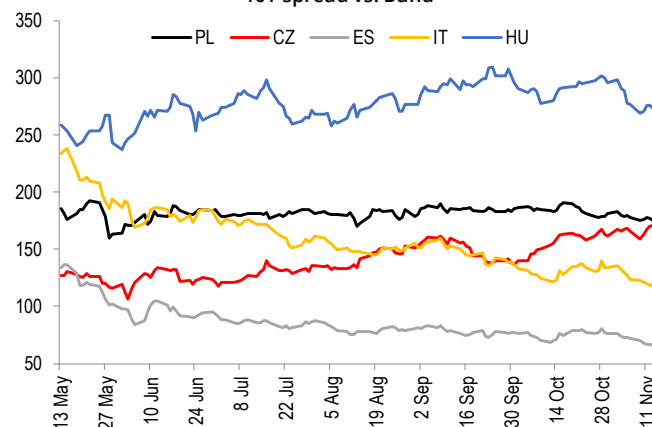
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (13 November)								
09:00	HU	GDP	3Q	% y/y	-5.4	-	-4.6	-13.6
10:00	PL	CPI	Oct	% y/y	3.1	3.1	3.1	3.0
10:00	PL	GDP	3Q	% y/y	-1.8	-1.8	-1.6	-8.2
11:00	EZ	GDP SA	3Q	% y/y	-4.3	-	-4.4	-4.3
14:00	PL	Current Account Balance	Sep	€mn	1 825	1 072	1 275	1 825
14:00	PL	Trade Balance	Sep	€mn	1 519	1 238	898	1 519
14:00	PL	Exports	Sep	€mn	21 068	21 109	18 031	21 068
14:00	PL	Imports	Sep	€mn	19 549	19 871	17 042	19 549
16:00	US	Michigan index	Nov	pts	82.0	-	77.0	81.8
MONDAY (16 November)								
14:00	PL	CPI Core	Oct	% y/y	4.1	4.2	-	4.3
TUESDAY (17 November)								
14:00	HU	Central Bank Rate Decision		%	0.6	-		0.6
14:30	US	Retail Sales Advance	Oct	% m/m	0.5	-		1.9
15:15	US	Industrial Production	Oct	% m/m	1.0	-		-0.6
WEDNESDAY (18 November)								
11:00	EZ	HICP	Oct	% y/y	-0.3	-		-0.3
14:30	US	Housing Starts	Oct	% m/m	2.1	-		1.9
THURSDAY (19 November)								
10:00	PL	Employment in corporate sector	Oct	% y/y	-	-0.9		-1.2
10:00	PL	Average Gross Wages	Oct	% y/y	-	3.0		5.6
14:30	US	Initial Jobless Claims	week	k	725.0	-		709.0
14:30	US	Index Philly Fed	Nov	pts	22.0	-		32.3
16:00	US	Existing Home Sales	Oct	% m/m	-1.6	-		9.4
FRIDAY (20 November)								
10:00	PL	Sold Industrial Output	Oct	% y/y	-	-0.2		5.9
10:00	PL	PPI	Oct	% y/y	-	-0.2		-1.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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