

18 November 2020

Eyeopener

Hungary boosts QE program

Optimism fades after the US data
 EURUSD slightly up, EURPLN still near support
 Polish bonds stable, expensive in asset swap terms
 Today, euro zone HICP and US real estate data

On Tuesday, equity markets after initially increasing a bit, gave back all gains in the second part of the day and ended the day in red (declines of roughly 1%). One of the main reasons was the reading of the October US retail sales data – the weakest in six months – which does not bode well for the Q4 consumption in the US and hence the GDP and is a clear example of how serious the impact of the pandemic on the US economy is. The 10Y UST yields declined by 3bp to 0.87% while the dollar lost 0.25% vs the G10 currencies basket. The US industrial production was decent but did not manage to change the negative market dynamics.

MPC member Grażyna Ancyparowicz said that “there might be some months” when the inflation will breach the 3.5% level (upper limit of the inflation band in Poland) due to reasons related to the pandemic, administrative and tax ones. She thinks that using monetary policy tools might be less effective since “there is not much that monetary factors can do”. According to another **MPC member Eugeniusz Gatnar** the rates should remain unchanged for the time being in the context of a longer and longer negative impact of the pandemic. If, however, the economy will move back towards the growth path the rates should “as soon as possible get to 0.5%”.

September GUS data on foreign trade of goods showed a rebound of export by 8% y/y from -4.2% y/y in August. Export to Germany is still the key recovery driver, expanding by 13% y/y. Export to other euro zone countries has finally improved (+11.4% y/y, the first positive growth rate since the start of the pandemic), while export to ex-EU developed markets was rather muted (-2.3% y/y, even though in June this trade direction was clearly outperforming). In September imports improved markedly (rise by 5.4% y/y after -10.3% previously) thanks to a rebound in imports from Germany and Italy and major acceleration of imports from China (24.4% y/y) amid still weak imports from Russia (-31.3% y/y).

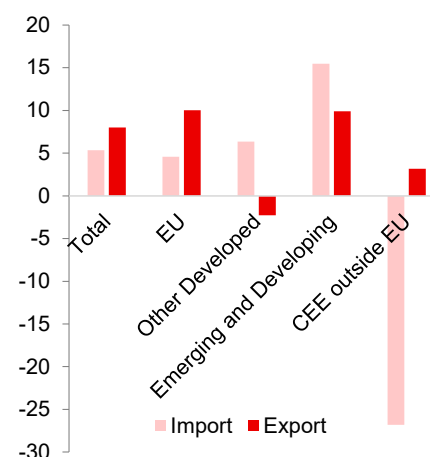
EURUSD started the day at 1.184 and was climbing during the day to reach the daily peak at 1.1895. At the end of the day the rate fell rapidly to 1.186, but this morning it is again only slightly below yesterday's maximum. EURUSD climbed during the last four sessions and is close to November maximum at 1.192, which is in turn close to the resistance zone valid since August.

EURPLN was at 4.47 on Monday evening but overnight it climbed above 4.50 and was only slightly below this level at the end of the day (4.495). Since the last Monday EURPLN remains relatively stable after prior strong decline and is moving above the support area at 4.46-4.47. Veto of the EU financial framework and information that the ruling party (PiS) could be abandoned by a few MPs (hence stripping PiS of majority) are likely not to allow the zloty to gain in a short term so EURPLN could go up in the coming days.

As to the other regional currencies, EURCZK increased 0.4% to 26.53. EURHUF rebounded as much as 0.8% to 361.6 after the Hungarian central bank kept interest rates unchanged at 0.6% however in the context of the more severe growth slowdown as more and more restrictions had been imposed, increased the QE program (announcing the program review at HUF2.0tn stock) as well as expanded the cheap loans program by HUF1.0tn. Oil markets corrected lower which this time did not weaken the rouble. October industrial production in Russia surprised to the downside which did not impact rouble either. It plausibly means that USDRUB is strongly overbought and the next larger move might rather be to the downside where at 75.0 lies the 100-day moving average.

On the Polish interest market the FRA contracts have not changed much (e.g. 9x12 at 0.21%) and remained not much off the 3-month Wibor (0.22%). The 2Y bond yield closed at 0.02%, 5Y at 0.42% and 10Y at 1.20% – all barely changed. The spread vs Bund stood at 175bp while the 10Y asset swap spread remains at the record low 10bp.

Foreign trade in September, goods, in EUR, %y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.4850	CZKPLN	0.1691
USDPLN	3.7757	HUFPLN*	1.2397
EURUSD	1.1884	RUBPLN	0.0497
CHFPLN	4.1457	NOKPLN	0.4172
GBPPLN	5.0101	DKKPLN	0.6022
USDCNY	6.5421	SEKPLN	0.4386

*for 100HUF

Last session in the FX market

11/17/2020

	min	max	open	close	fixing
EURPLN	4.476	4.502	4.483	4.489	4.495
USDPLN	3.771	3.795	3.781	3.785	3.788
EURUSD	1.184	1.189	1.186	1.186	-

Interest rate market 11/17/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.03	0
PS0425 (5Y)	0.40	-2
DS1030 (10Y)	1.20	0

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.20	0.22	-0.54
2L	0.28	0.25	-0.52
3L	0.36	0.29	-0.51
4L	0.48	0.35	-0.49
5L	0.62	0.43	-0.45
8L	0.93	0.71	-0.33
10L	1.09	0.86	-0.24

WIBOR rates

Term	%	Change (bps)
O/N	0.09	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	0.19	0
3x6	0.17	0
6x9	0.18	0
9x12	0.22	0
3x9	0.22	1
6x12	0.24	0

Measures of fiscal risk

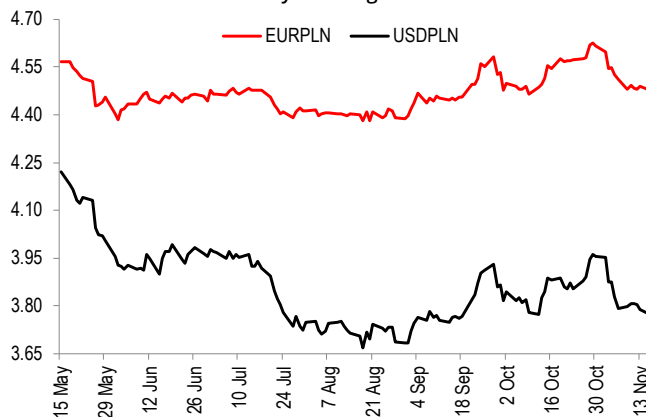
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	54	176
France	10	23
Hungary	62	277
Spain	49	64
Italy	77	116
Portugal	28	61
Ireland	14	31
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

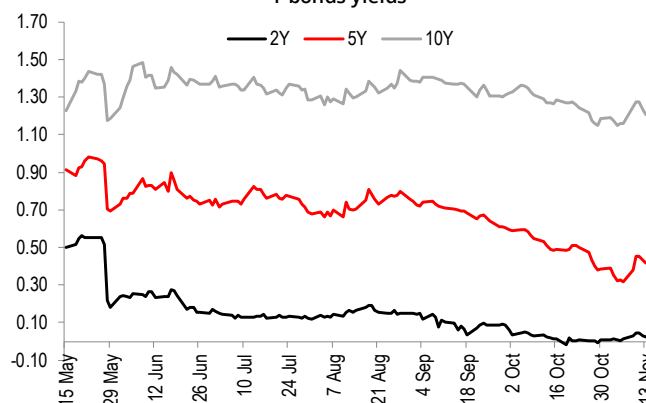
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

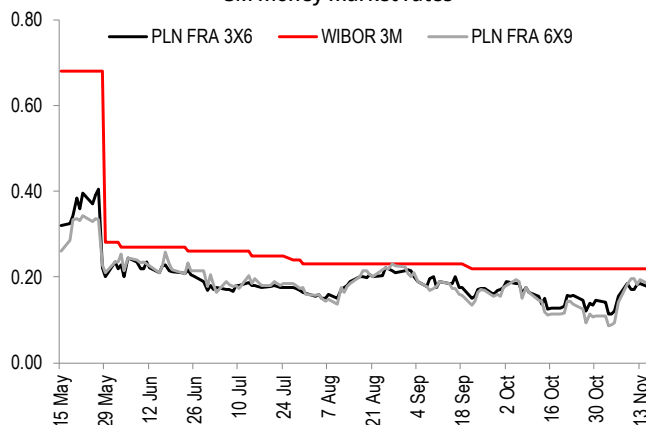
Zloty exchange rate



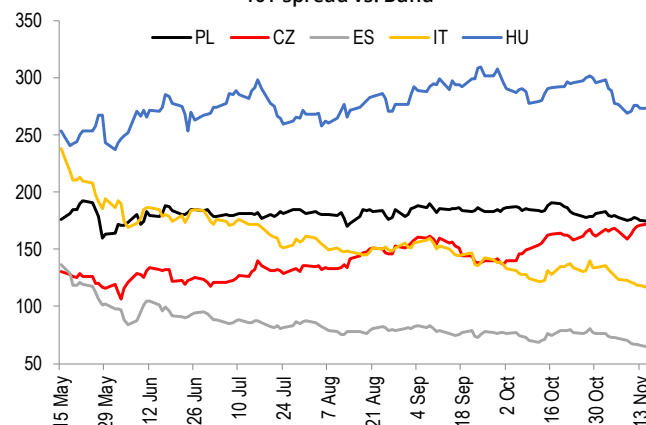
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
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	4.2	4.3
TUESDAY (17 November)								
14:00	HU	Central Bank Rate Decision		%	0.6	-	0.6	0.6
14:30	US	Retail Sales Advance	Oct	% m/m	0.5	-	0.3	1.6
15:15	US	Industrial Production	Oct	% m/m	1.0	-	1.1	-0.4
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	-		709
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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