

19 November 2020

# Eyeopener

## Small size bond repurchase by NBP

Stocks gain amid vaccination news and US data  
 EURUSD stable, EURPLN slightly down  
 Yields fall before the central bank repurchase auction  
 Today, Polish labour market data and US new home sales

On Wednesday equity markets were gaining in response to the news confirming efficacy of the Covid-19 vaccines in the clinical trials and the October's high reading of US new home sales, being the result of record-low interest rates. October's inflation prints in Canada and UK exceeded market expectations by c.0.2pp. Core markets bond yields increased slightly (10Y UST 0.87%, Bund -0.55%), dollar was stable and Brent oil price increased temporarily to US\$45 per barrel.

After October **the central budget** recorded a deficit of PLN12.1bn as compared to PLN13.8bn after September. In October alone budget revenues climbed by 7.1% y/y, with VAT going up by 9.0% y/y, PIT by 3.3% y/y and CIT by 1.0% y/y. Budget spending was by 1.3% y/y lower than one year before. As we have written repeatedly, data on spending does not say much about the public finance situation, as most expenditure connected to the epidemic was realised outside the central budget. Meanwhile, data on incomes are in line with economic rebound in 3Q20. We are expecting the incomes to deteriorate in November and December with a possible rapid rise in spending connected to payment of subsidies to the social funds. This will result in a major increase in deficit.

**MPC member Cezary Kochalski** said that in his view it will be difficult to notice positive effects of negative interest rates. In his view, new forecasts of GDP and CPI do not justify any change in interest rates, and the reason to hike rates would appear if the economy returns to the persistent growth path.

**EURUSD** was not really volatile on Wednesday – the start and the close were at 1.187 with daily range at 0.04. Today at the start of the session the rate is close to 1.185.

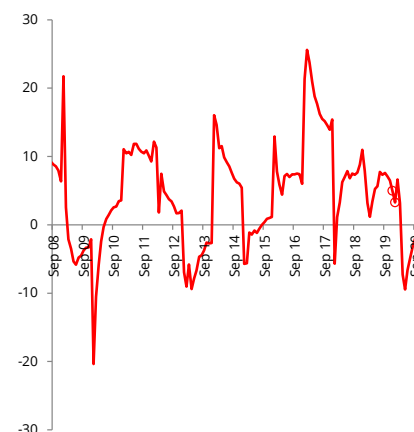
**EURPLN** started the session above 4.49 but then slid to 4.468 and is currently again testing (previous test took place on last two Mondays) 200-day moving average. As EURPLN did not go up much after these previous test, it seems that the pair is likely to stay in 4.46-4.50 range.

**As to the other regional currencies**, on Wednesday EURCZK fell by more than it had risen on Tuesday – by 0.5% to 26.36. EURHUF increased at the start of the day breaching 362.0 but in the second part of the day positive market mood influenced the forint as well and finally it fell by 0.2% d/d to 360.7. USDRUB fell 0.3% to 76.0 temporarily reaching as low as 75.5. October producer prices in Russia have beat expectation by a significant one full percentage point which perhaps bodes well for the industry. Increasing oil prices help the rouble as well and in our opinion it might strengthen further in the near term.

**On the Polish interest market** the FRA and IRS contracts were relatively stable (5Y IRS at 0.62%, 10Y IRS at 1.10%). Bond prices gained before the NBP buyback auction (yields of 5Y fell to 0.39%, of 10Y to 1.18% – both by 2bp) and stayed lower till the end of day. With slightly higher Bund yields this meant that the PL-DE spread narrowed to 173bp while the 10Y asset swap to 8bp.

**At the Wednesday purchase auction** the NBP planned to buy up to PLN3.0bn of bonds from five series (four government bonds PS0425, DS0727, WS0428 and DS1029 and one BGK bond FPC0630). Investors offered PLN1.35bn (PLN1.18bn govies, PLN0.17bn BGKs), however NBP bought back only three government bond series for a total of just PLN0.2bn. One of the possible reasons for that might have been elevated price expectations by market participants.

### State budget revenues (cumulatively, % y/y)



Source: Ministry of Finance, Santander

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## FX market

### Today's opening

EURPLN	4.4649	CZKPLN	0.1691
USDPLN	3.7699	HUFPLN*	1.2374
EURUSD	1.1849	RUBPLN	0.0495
CHFPLN	4.1364	NOKPLN	0.4175
GBPPLN	4.9893	DKKPLN	0.5992
USDCNY	6.5716	SEKPLN	0.4378

\*for 100HUF

### Last session in the FX market

11/18/2020

	min	max	open	close	fixing
EURPLN	4.463	4.492	4.487	4.466	4.473
USDPLN	3.756	3.783	3.780	3.763	3.762
EURUSD	1.185	1.189	1.187	1.187	-

## Interest rate market 11/18/2020

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

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0.02	-1
PS0425 (5Y)	0.44	4
DS1030 (10Y)	1.18	-2

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

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.20	0	0.22	0	-0.54	0
2L	0.28	0	0.26	1	-0.52	0
3L	0.36	0	0.29	0	-0.51	0
4L	0.48	0	0.36	2	-0.49	0
5L	0.62	0	0.45	2	-0.45	0
8L	0.94	1	0.72	1	-0.33	0
10L	1.10	1	0.87	1	-0.23	1

## WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
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	1
6x9	0.20	1
9x12	0.21	-1
3x9	0.23	0
6x12	0.24	1

## Measures of fiscal risk

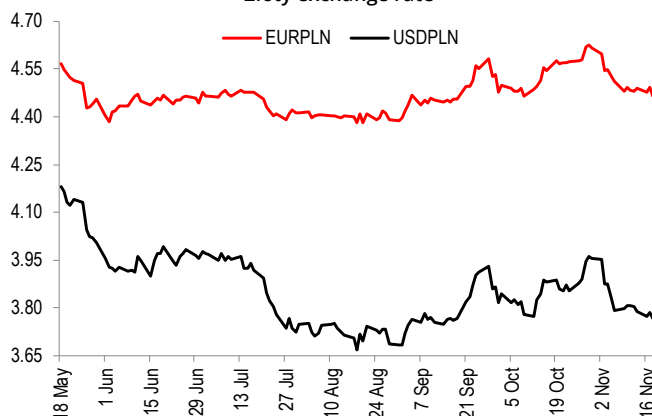
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	54	0	173	-3
France	10	0	23	0
Hungary	62	0	278	0
Spain	47	-2	64	0
Italy	77	0	117	1
Portugal	28	0	61	-1
Ireland	14	0	31	0
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

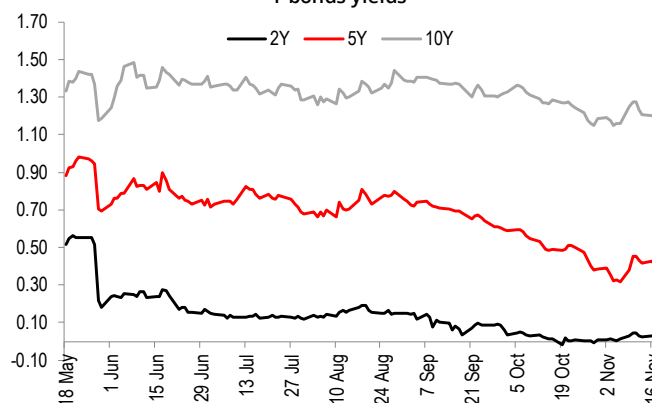
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

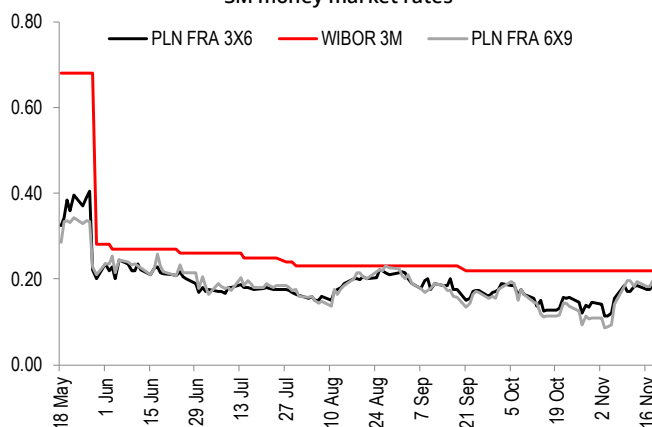
## Zloty exchange rate



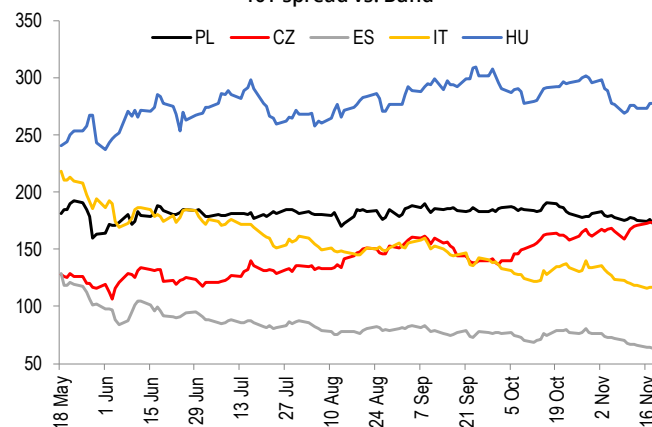
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

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	-0.3
14:30	US	Housing Starts	Oct	% m/m	3.2	-	4.9	6.3
THURSDAY (19 November)								
10:00	PL	Employment in corporate sector	Oct	% y/y	-1.1	-1.1		-1.2
10:00	PL	Average Gross Wages	Oct	% y/y	4.6	4.8		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	0.5	1.0		5.9
10:00	PL	PPI	Oct	% y/y	-0.8	-0.8		-1.6

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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