

20 November 2020

# Eyeopener

## Concerns about labour market resurface

Equities down slightly  
EURUSD stable, EURPLN near strong support  
Bonds slightly weaker at the end of the day  
Today Poland industrial output and PPI data

On Thursday the main stock indices were declining slightly, which could have been caused by the first for some time rise in the US new jobless claims (to 742k from 711k in the previous week). The dollar gained slightly and core markets' bond yields did not change much (UST 0.85%, Bund -0.55%). Gold price went up slightly (to \$1862/oz) as did Brent oil (\$41.6 per barrel). In Asia two central banks cut rates by 25bp (Indonesia to 3.75%, Philippines to 2.0%), the bank in South Africa kept rates unchanged (3.50%), while in Turkey hiked by 475bp, to 15%, and Turkish lira was the best performing EM currency yesterday, gaining 2%.

As we expected, **yesterday's videoconference of EU leaders did not result** in solutions on the new EU financial framework including the Recovery Facility. The German chancellor Angela Merkel said that talks with Poland and Hungary will be held in the coming weeks.

**MPC member Jerzy Kropiwnicki** (considered a hawk) said that negative rates in Poland are out of question, while NBP might extend the asset purchase program. In his opinion, the 2021 CPI will top 3.5% and rates can actually be hiked a bit in the 2H21. Another **MPC member Eugeniusz Gatnar** said today repeating his opinion from before a few days that "if the price increases will still be elevated as currently then interest rates need to be hiked to 0.50% as soon as possible". He agreed that the bond purchase program could be extended if the crisis triggered by the pandemic will continue.

**Employment** in October rose by 0.1% m/m and fell by 1.0% y/y in annual terms (vs. -1.1% y/y in September), while wages rose by 4.7% y/y (vs. 5.6% y/y in September). Both statistics were very close to our expectations assuming that October will see some slowdown in the corporate sector's labour market recovery. Due to reintroduction of many epidemic restrictions in October and November we are expecting the labour market statistics to deteriorate in the upcoming months again. Wage bill in the corporate sector rose by 0.5% y/y in real terms.

**Consumer confidence** plummeted in November. Both current and leading indicators fell sharply (from -20 to -29.2 and from -19.2 to -30.1, respectively), yet remaining above the local trough established in April (-36.4 and -47.7 respectively). All sub-components of the indices deteriorated, with the biggest decline recorded in the assessment of country's economic situation and in unemployment outlook. Assessment of climate for saving fell much less than appetite for major purchases, which confirms that we will see another drop in private consumption in Q4. The special Covid-related part of the survey revealed a significant increase of consumers' worries about coronavirus impact on their personal health, job safety and economic outlook.

**EURUSD** still not very volatile – opened and closed at 1.185 while during the day fell to 1.182 briefly. EURUSD upside move observed since previous Thursday slowed slightly below the month-to-date November peak at slightly above 1.19 and it seems that another strong impulse is needed in order for EUR to strengthen further vs dollar. At the end of the week there will be no important data from the world, so the situation should remain in place.

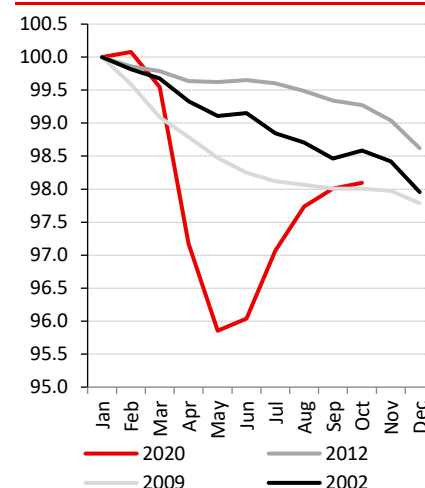
**EURPLN** was also not so volatile on Thursday – having opened around 4.467 it rose during the day to 4.48 and came back to the opening level. So it spent another day near an important support at c.4.46 ignoring so far the risks related to the ongoing EU budget negotiations.

**As to the other regional currencies**, EURCZK was almost unchanged (26.35), EURHUF ended c.0.3% lower (359.4), after climbing to 362.0 intraday. The Hungarian central bank did not change its weekly deposit rate (0.75%). USDRUB rose by 0.4% to 76.3 after the daily Covid-19 cases set a new record in Russia at 23.6k.

**On the Polish interest market** trading was calm and yields barely moved. 10Y bond yield at first dropped to 1.16% and then rose to 1.18%, with the Bund spread at 175bp.

**Paweł Borys, head of the Polish Development Fund** (PFR) said the Fund is readying to launch bigger pay-outs for big companies and to the second financial shield for SME. Since February the PFR want to issue bonds worth c.PLN5bn (no details about maturities were given).

Employment in corporate sector (Jan=100)



Source: Ministry of Finance, Santander

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## FX market

### Today's opening

EURPLN	4.4717	CZKPLN	0.1695
USDPLN	3.7686	HUFPLN*	1.2452
EURUSD	1.1870	RUBPLN	0.0496
CHFPLN	4.1368	NOKPLN	0.4182
GBPPLN	5.0004	DKKPLN	0.6001
USDCNY	6.5726	SEKPLN	0.4378

\*for 100HUF

### Last session in the FX market

11/19/2020

	min	max	open	close	fixing
EURPLN	4.460	4.482	4.460	4.470	4.480
USDPLN	3.763	3.792	3.765	3.775	3.787
EURUSD	1.182	1.185	1.185	1.184	-

## Interest rate market 11/19/2020

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.04	2
DS0725 (5Y)	0.45	1
DS1030 (10Y)	1.18	1

### 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	0.26	-0.53
3L	0.36	0.30	-0.52
4L	0.49	0.37	-0.49
5L	0.62	0.44	-0.46
8L	0.94	0.70	-0.34
10L	1.11	0.84	-0.24

## 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	0
3x6	0.19	0
6x9	0.19	0
9x12	0.21	0
3x9	0.22	0
6x12	0.24	-1

## Measures of fiscal risk

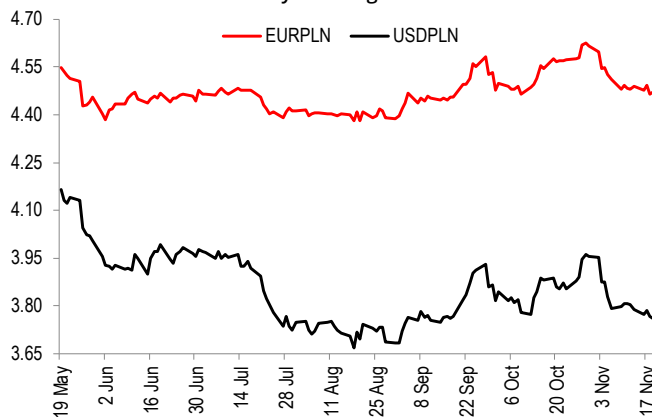
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	54	175
France	10	24
Hungary	62	281
Spain	47	64
Italy	78	118
Portugal	28	61
Ireland	14	32
Germany	8	-

\* 10Y treasury bonds over 10Y Bunds

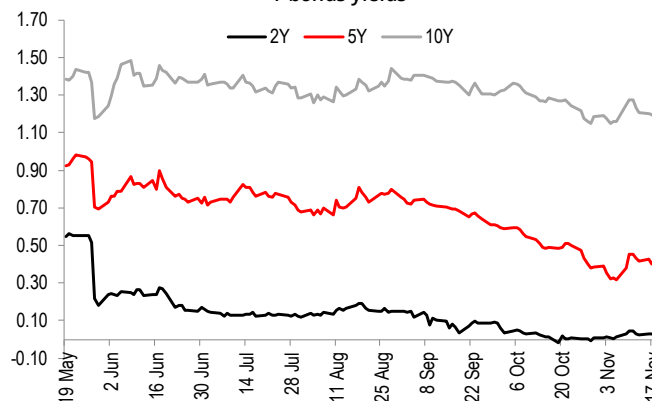
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

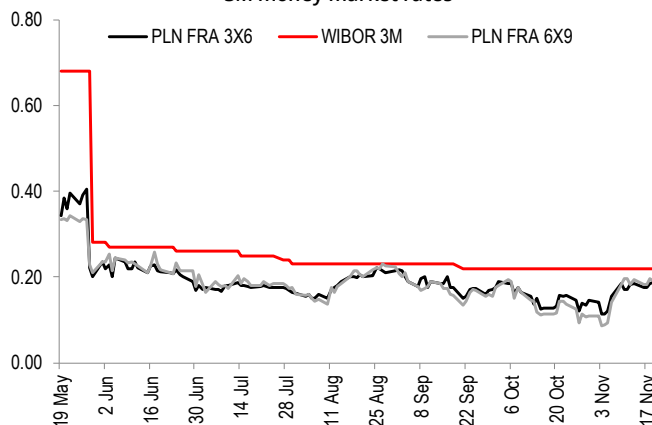
## Zloty exchange rate



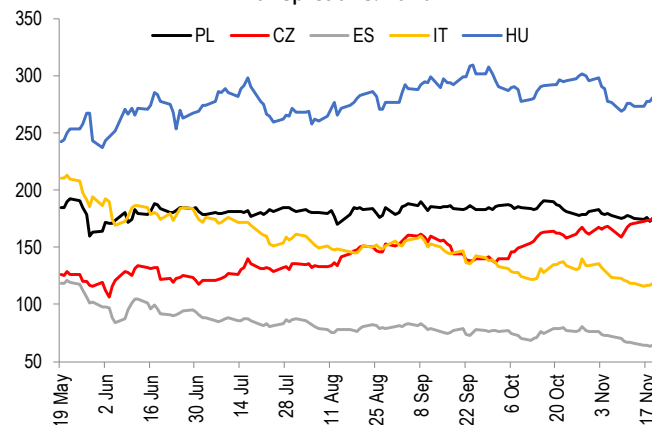
## T-bonds yields



## 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	4.2	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	-1.0	-1.2
10:00	PL	Average Gross Wages	Oct	% y/y	4.8	4.8	4.7	5.6
14:30	US	Initial Jobless Claims	week	k	700	-	742	711
14:30	US	Index Philly Fed	Nov	pts	22.5	-	742	32.3
16:00	US	Existing Home Sales	Oct	% m/m	-1.1	-	4.3	9.9
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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