

23 November 2020

# Eyeopener

## Waiting for new data

Markets moderately optimistic at the end of last week  
 Data from Polish manufacturing close to expectation  
 Volatility still low for EURPLN and EURUSD  
 Polish debt slightly weaker, IRS slightly lower  
 Today, construction output and retail sales data, European flash PMIs

At the end of the week the market sentiment was moderately positive. Equity markets in Europe were rising as the moderate optimism related to the Covid-19 vaccine outweighed the disagreement on the EU budget. Only at the end of the US session the stock market indices declined. FX market was quite stable on Friday amid lack of major news and data releases.

**Industrial output** slowed down in October to 1.0% y/y from 5.9% y/y in September, in line with our and market expectations. In our view this slowdown was mostly due to calendar effects - the impact of renewed restrictions was minor. We are expecting industry to remain relatively robust to the second wave of Covid infections, as the global reaction is less harmful to economic activity than in the spring. Still, all sectoral business sentiment indexes dropped severely in November, with some sectors more worried about their survival chances than in spring. More in [Economic Comment](#).

On Saturday, the **government announced a new strategy** of changing the pandemic-related restrictions. The shopping malls will be re-opened on 28 November, while further easing of restrictions will be possible from 28 December on, but will depend on how the pandemic evolves. In case of sharp rise of the Covid-19 cases, the so-called National Quarantine could be still imposed, which would mean further closures (of barbers, beauty salons etc.) as well as strict limits on social mobility. Winter holidays for all voivodeships got moved to just after the New Year's Eve. During the holidays all hotels and ski resorts will be closed, however.

**EURUSD** was stable on Friday and hovered around 1.187. The volatility of the currency pair might increase today as the preliminary November PMIs are published in Europe. Thanks to the positive news about the Covid-19 vaccine which took place earlier in the month, we do not rule out a positive surprise in the PMIs. If European data improve this could help the EURUSD move higher and test the 1.190 level.

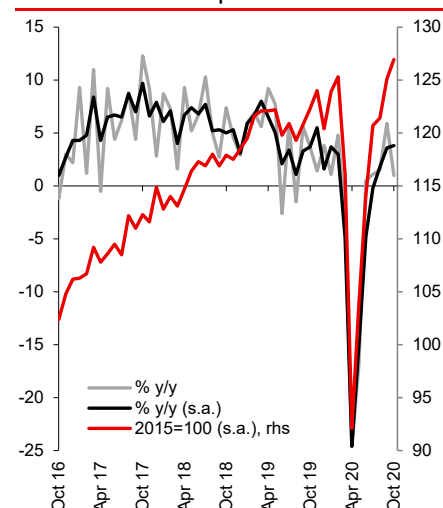
**EURPLN** has spent ninth session in a row fluctuating close to the important support area drawn by the October bottom (4.45) and 100- and 200-day moving averages currently running slightly above 4.46. It seems that much of the recent positive information (vaccination) has already been priced in by the zloty, while the risk factors (EU budget, pandemic trends in Poland) may recede into the background for now. We assume EURPLN may stay in the 4.46-4.50 range in the coming days.

In case of the **other CEE currencies**, EURHUF and USDRUB were hovering in a narrow daily ranges, only slightly above the Thursday's closing levels. EURCZK recorded a temporarily drop to 26.21 but at the end of the day was back to 26.3 seen at the opening.

On the **domestic interest rate market** Friday's session saw a slight rise of yields and a mild decline of IRS that together resulted in the 10Y asset swap spread rising above 10bp. Meanwhile, yields of the Italian, Spanish, Portuguese and German bonds declined while the UST yields rose. So far, the Polish and German bonds saw only temporary reaction to the vaccination news - after an initial sharp rise, yields resumed the down trend. Thus, there seems to be an upside potential for yields as long as the economic outlook does not deteriorate, for example, in response to today's flash PMIs.

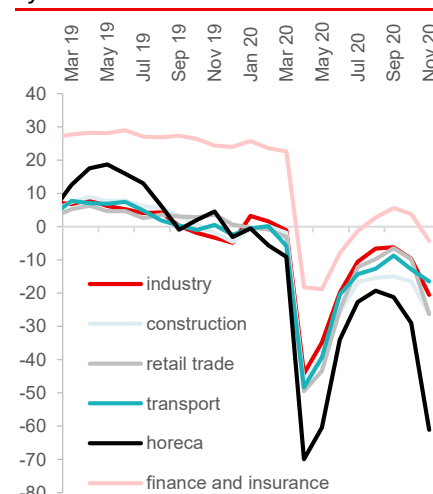
**In the final week of November**, the attention will focus again on the economic data, mainly on the leading indicators: flash PMIs, German Ifo and the US consumer confidence index. Consensus point to lower readings owing to the new wave of pandemic, with larger monthly fall in services than in manufacturing, but in our view positive surprises cannot be excluded since the business sentiment might have been supported by the vaccine news. On Thursday, there is US Thanksgiving Day that will be followed by Black Friday that according to some analysts may see record high online buying. Poland and Hungary's veto to the idea of linking the payments of EU funds to the rule of law and their threat to block the multiannual EU budget and recovery fund talks was quietly received by the markets - which are likely hoping that the deal will be eventually reached. Next meeting of the European Council will be held on December 10 and no big news should be expected until then so this issue could be off the radar for now. The second risk factor - the pandemic - seems to be losing strength currently. The number of new Covid-19 cases started to go down in Poland and in many other European countries.

Poland industrial output



Source: GUS, Santander

Poland general business sentiment indexes by sectors



Source: GUS, Santander

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.4670 | CZKPLN  | 0.1678 |
| USDPLN | 3.7638 | HUFPLN* | 1.2301 |
| EURUSD | 1.1871 | RUBPLN  | 0.0496 |
| CHFPLN | 4.1336 | NOKPLN  | 0.4181 |
| GBPPLN | 5.0094 | DKKPLN  | 0.6001 |
| USDCNY | 6.5679 | SEKPLN  | 0.4372 |

\*for 100HUF

### Last session in the FX market

20/11/2020

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.456 | 4.475 | 4.470 | 4.462 | 4.468  |
| USDPLN | 3.754 | 3.771 | 3.762 | 3.763 | 3.768  |
| EURUSD | 1.185 | 1.189 | 1.188 | 1.186 | -      |

## Interest rate market

20/11/2020

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

| Benchmark (term) | %    | Change (bps) |
|------------------|------|--------------|
| WS0922 (2Y)      | 0.04 | 0            |
| DS0725 (5Y)      | 0.46 | 0            |
| DS1030 (10Y)     | 1.19 | 0            |

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

| Term | PL   |              | US   |              | EZ    |              |
|------|------|--------------|------|--------------|-------|--------------|
|      | %    | Change (bps) | %    | Change (bps) | %     | Change (bps) |
| 1L   | 0.20 | 0            | 0.23 | 1            | -0.54 | 0            |
| 2L   | 0.28 | -1           | 0.24 | -2           | -0.53 | 0            |
| 3L   | 0.36 | -1           | 0.29 | -1           | -0.52 | 0            |
| 4L   | 0.48 | -1           | 0.35 | -2           | -0.51 | -2           |
| 5L   | 0.62 | -1           | 0.44 | -1           | -0.48 | -2           |
| 8L   | 0.94 | 0            | 0.68 | -2           | -0.36 | -2           |
| 10L  | 1.11 | 0            | 0.82 | -3           | -0.27 | -3           |

## WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 0.10 | 0            |
| T/N  | 0.10 | 0            |
| SW   | 0.11 | -1           |
| 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 | 0            |

## Measures of fiscal risk

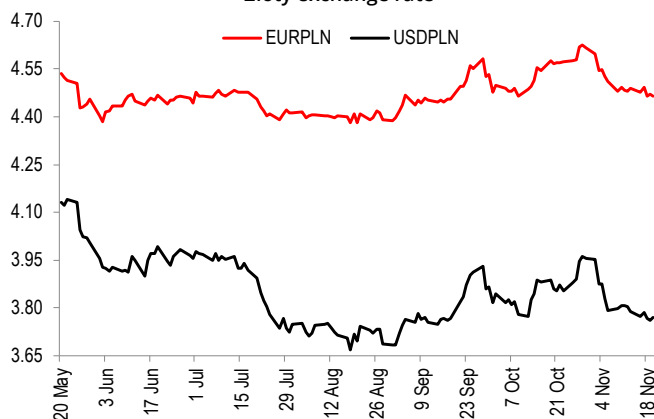
| Country  | CDS 5Y USD |              | 10Y spread* |              |
|----------|------------|--------------|-------------|--------------|
|          | Level      | Change (bps) | Level       | Change (bps) |
| Poland   | 54         | 0            | 177         | 2            |
| France   | 10         | 0            | 24          | 0            |
| Hungary  | 62         | 0            | 280         | -1           |
| Spain    | 48         | 0            | 65          | 1            |
| Italy    | 77         | -1           | 118         | 0            |
| Portugal | 28         | 0            | 61          | 0            |
| Ireland  | 14         | 0            | 32          | 0            |
| Germany  | 8          | 0            | -           | -            |

\* 10Y treasury bonds over 10Y Bunds

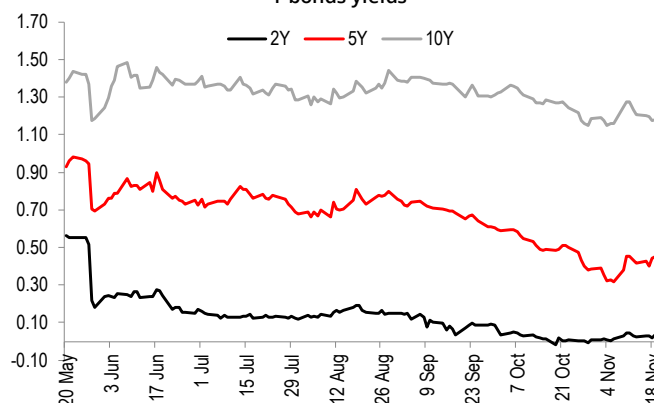
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

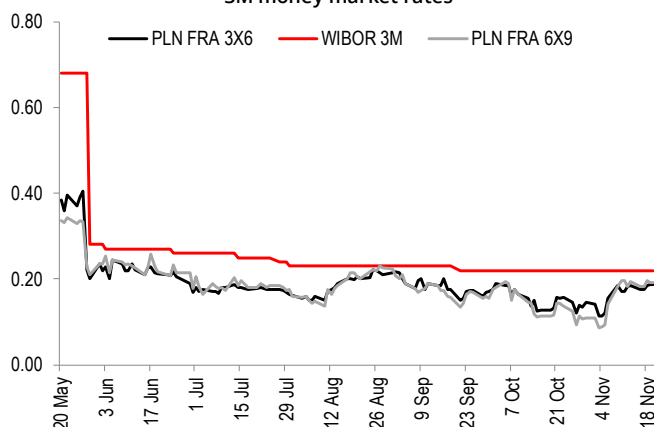
## Zloty exchange rate



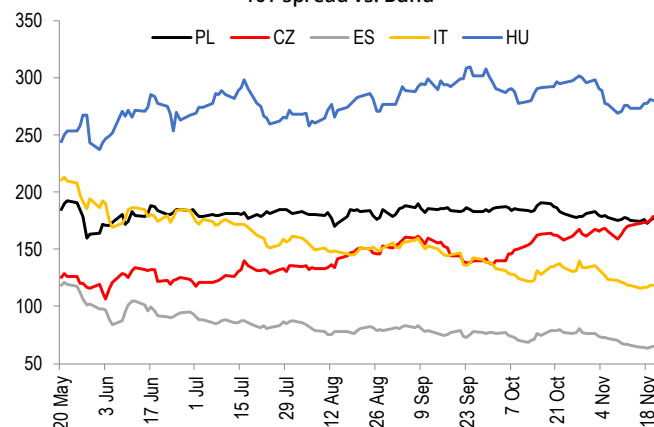
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| TIME                           | COUNTRY | INDICATOR                         | PERIOD | FORECAST |           | ACTUAL | LAST   |
|--------------------------------|---------|-----------------------------------|--------|----------|-----------|--------|--------|
|                                |         |                                   |        | MARKET   | SANTANDER |        |        |
| CET                            |         |                                   |        |          |           | VALUE  | VALUE* |
| <b>FRIDAY (20 November)</b>    |         |                                   |        |          |           |        |        |
| 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   | -1.4   |
| <b>MONDAY (23 November)</b>    |         |                                   |        |          |           |        |        |
| 09:30                          | DE      | Flash Germany Manufacturing PMI   | Nov    | pts      | 57.0      | -      | 58.2   |
| 09:30                          | DE      | Flash Markit Germany Services PMI | Nov    | pts      | 47.0      | -      | 49.5   |
| 10:00                          | EZ      | Flash Eurozone Manufacturing PMI  | Nov    | pts      | 54.0      | -      | 54.8   |
| 10:00                          | EZ      | Flash Eurozone Services PMI       | Nov    | pts      | 43.9      | -      | 46.9   |
| 10:00                          | PL      | Construction Output               | Oct    | % y/y    | -5.8      | -6.5   | -9.8   |
| 10:00                          | PL      | Retail Sales Real                 | Oct    | % y/y    | -2.0      | -1.5   | 2.5    |
| <b>TUESDAY (24 November)</b>   |         |                                   |        |          |           |        |        |
| 08:00                          | DE      | GDP WDA                           | 3Q     | % y/y    | -         | -      | -4.3   |
| 10:00                          | DE      | IFO Business Climate              | Nov    | pts      | 90.6      | -      | 92.7   |
| 14:00                          | PL      | Money Supply M3                   | Oct    | % y/y    | 17.0      | 16.6   | 17.0   |
| 16:00                          | US      | Consumer Conference Board         | Nov    | pts      | 98.0      | -      | 100.9  |
| <b>WEDNESDAY (25 November)</b> |         |                                   |        |          |           |        |        |
| 10:00                          | PL      | Unemployment Rate                 | Oct    | %        | 6.1       | 6.1    | 6.1    |
| 14:30                          | US      | Durable Goods Orders              | Oct    | % m/m    | 1.0       | -      | 1.9    |
| 14:30                          | US      | GDP Annualized                    | 3Q     | % Q/Q    | 33.1      | -      | 33.1   |
| 14:30                          | US      | Initial Jobless Claims            | week   | k        | 700       | -      | 742    |
| 16:00                          | US      | Michigan index                    | Nov    | pts      | 76.8      | -      | 77.0   |
| 16:00                          | US      | New Home Sales                    | Oct    | % m/m    | 1.2       | -      | -3.5   |
| 16:00                          | US      | Personal Spending                 | Oct    | % m/m    | 0.6       | -      | 1.4    |
| 16:00                          | US      | Personal Income                   | Oct    | % m/m    | 0.05      | -      | 0.9    |
| 16:00                          | US      | PCE Deflator SA                   | Oct    | % m/m    | 0.0       | -      | 0.2    |
| 20:00                          | US      | FOMC Meeting Minutes              |        |          |           |        |        |
| <b>THURSDAY (26 November)</b>  |         |                                   |        |          |           |        |        |
|                                | US      | Market holiday                    |        |          |           |        |        |
| <b>FRIDAY (27 November)</b>    |         |                                   |        |          |           |        |        |
|                                | DE      | Retail Sales                      | Oct    | % m/m    | 0.9       | -      | -2.2   |
| 11:00                          | EZ      | ESI                               | Nov    | pct.     | 86.2      | -      | 90.9   |

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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