

24 November 2020

Eyeopener

Retail sales depressed by the virus again

Solid PMIs in Europe, surprisingly high in USA
 Polish retail sales lower than expected
 Zloty slightly weaker, EURUSD only temporarily higher
 Bond yields and IRS going up
 Today, German Ifo and US consumer confidence

On Monday the sentiment on global markets was rather positive, as another company released news about tests of a highly effective Covid-19 vaccine. Also, in the first hours of the session flash November PMI were out, confirming limited losses of European industry, which sent up stock indexes in Europe, strengthened the euro and weakened bonds. An even stronger positive impulse came in the afternoon, when much stronger-than-expected PMIs for USA were published. The reading did not impact bonds, but let the dollar cover the earlier loss vs the euro.

October **retail sales** contracted by 2.3% y/y, somewhat stronger than expected (we: -0.6%, market: -0.7%) and versus +2.5% y/y in September. A slowdown was widely expected due to resurgence of pandemic in October. Thus, in November retail sales are likely to slow down even further. **Results of companies** employing 50+ improved in 3Q20, mainly thanks to cost-cutting amid falling revenues, while investment improved somewhat versus 2Q20, but mostly due to strong rebounds in a few sectors. **Construction output** declined in October a bit more than expected (-5.9% y/y), but much less than in September (-9.8%). More in [Economic Comment](#).

MPC's **Rafał Sura** said yesterday that "there is no real prospect for rate hikes before the end of this MPC's terms", in line with the majority view in the Council. **Eryk Łon** repeated that in the current economic circumstances, rates should remain stable.

EURUSD was more volatile than in the previous days. PMI readings triggered a rise to 1.19 from 1.185, but the afternoon US data releases reversed the move quickly. As a result, the exchange rate did not change on a daily basis and remained in the range seen since August.

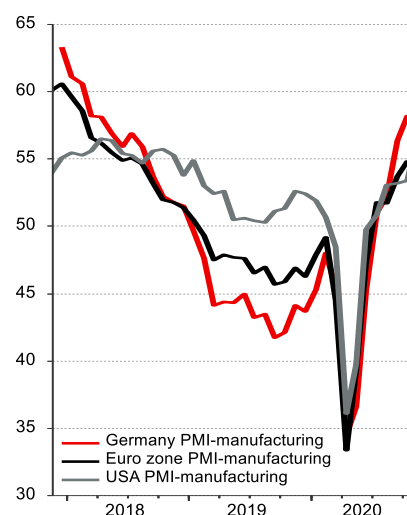
EURPLN was hovering slightly above 4.46 for the better part of the session, not responding to the positive global market mood. Only the afternoon dollar appreciation weighed on the zloty and pushed EURPLN temporarily to 4.48. Taking a broader look, there have been no breaking changes and the exchange rate is still holding only marginally above the 4.45-4.46 support area. USDPLN rose from slightly below 3.77 to nearly 3.79 with the daily low at 3.75.

Other CEE currencies did not change much. The forint and the ruble lost a bit, while the koruna remained near the Friday's close. Over the last days the Czech koruna tried to continue the appreciation signal present since the start of the month. The Czech currency could have been supported by a cut in income tax to 15% from 20.1%, which is interpreted by the market as a long run positive for growth.

On the **Polish fixed income market** on Monday the IRS and bond yields increased by 3-4bp following the core market yields (up by roughly 3bp). The 10Y PL-DE spread remained near 180bp. The local yield curves slightly steepened, while the 10Y asset swap spread slightly narrowed.

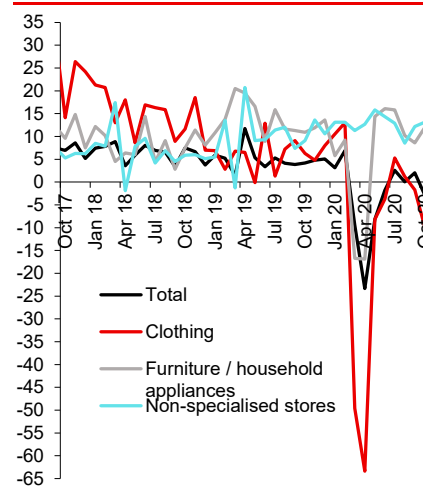
BGK announced that on Wednesday 25 November auction it will offer 10Y paper FPC0630 and for the first time 20Y bond FPC1140 for the total of PLN 1.0bn. The total issuance of the new 20Y bonds will amount to PLN 5.0bn. The total BGK issuance so far (for the Covid-19 related fund) stands at PLN 90.6bn.

Flash November manufacturing PMIs (pts)



Source: GUS, Santander

Retail sales, % y/y



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
 Piotr Bielski +48 22 534 18 87
 Marcin Łuziński +48 22 534 18 85
 Wojciech Mazurkiewicz +48 22 534 18 86
 Grzegorz Ogonek +48 22 534 19 23
 Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4.4658	CZKPLN	0.1678
USDPLN	3.7680	HUFPLN*	1.2301
EURUSD	1.1852	RUBPLN	0.0497
CHFPLN	4.1312	NOKPLN	0.4181
GBPPLN	5.0257	DKKPLN	0.6001
USDCNY	6.5812	SEKPLN	0.4372

*for 100HUF

Last session in the FX market

23/11/2020

	min	max	open	close	fixing
EURPLN	4.459	4.479	4.465	4.475	4.468
USDPLN	3.751	3.794	3.761	3.784	3.762
EURUSD	1.180	1.191	1.188	1.183	-

Interest rate market 23/11/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.04	0
DS0725 (5Y)	0.48	3
DS1030 (10Y)	1.22	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.20	0	0.21	-2	-0.54	1
2L	0.29	1	0.26	2	-0.52	1
3L	0.37	2	0.29	0	-0.51	1
4L	0.50	2	0.36	1	-0.49	2
5L	0.64	3	0.44	1	-0.46	2
8L	0.97	3	0.70	2	-0.34	2
10L	1.15	4	0.84	2	-0.25	2

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.11	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	0.23	1
6x12	0.24	0

Measures of fiscal risk

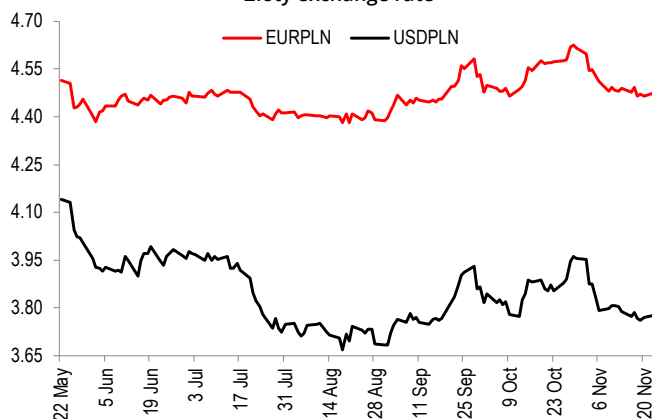
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	54	0	180	3
France	10	0	24	0
Hungary	62	0	280	-1
Spain	48	0	65	0
Italy	75	-2	116	-2
Portugal	28	0	61	-1
Ireland	14	0	32	0
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

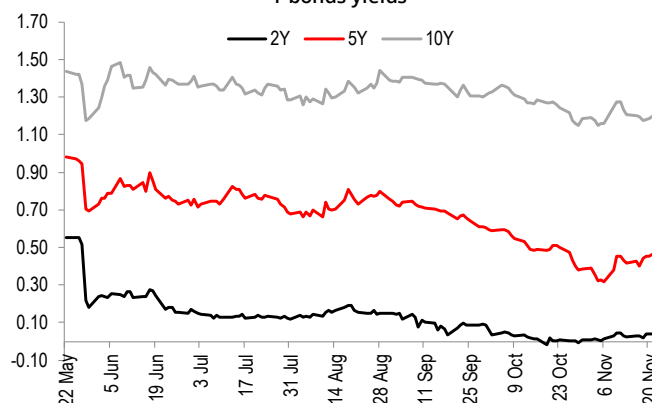
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

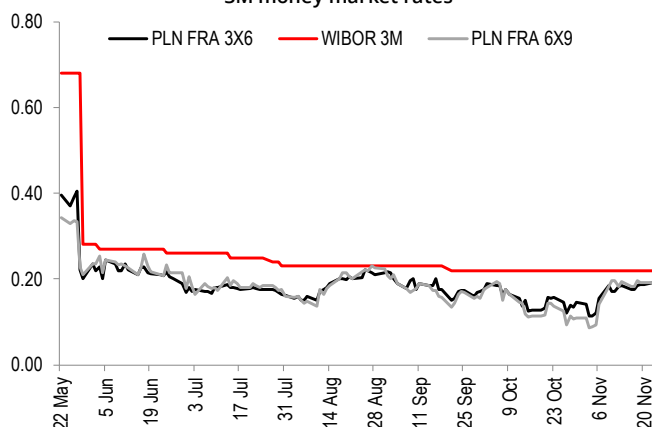
Zloty exchange rate



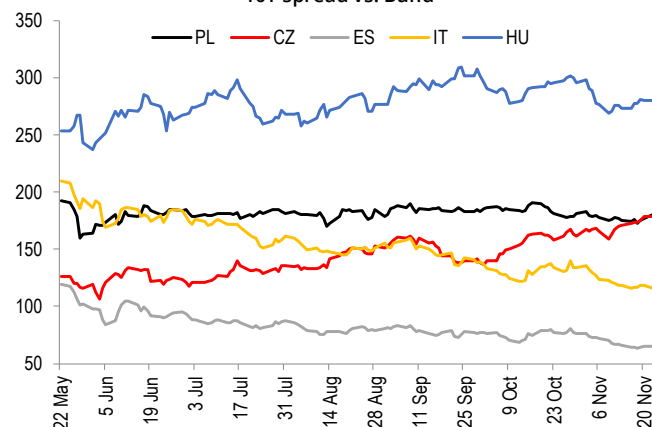
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
FRIDAY (20 November)								
10:00	PL	Sold Industrial Output	Oct	% y/y	0.5	1.0	1.0	5.9
10:00	PL	PPI	Oct	% y/y	-0.8	-0.8	-0.4	-1.4
MONDAY (23 November)								
09:30	DE	Flash Germany Manufacturing PMI	Nov	pts	57.0	-	57.9	58.2
09:30	DE	Flash Markit Germany Services PMI	Nov	pts	47.0	-	46.2	49.5
10:00	EZ	Flash Eurozone Manufacturing PMI	Nov	pts	54.0	-	57.9	54.8
10:00	EZ	Flash Eurozone Services PMI	Nov	pts	43.9	-	46.2	46.9
10:00	PL	Construction Output	Oct	% y/y	-5.8	-6.5	-5.9	-9.8
10:00	PL	Retail Sales Real	Oct	% y/y	-0.7	-0.6	-2.3	2.5
TUESDAY (24 November)								
08:00	DE	GDP WDA	3Q	% y/y	-4.3	-	-4.0	-11.3
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
WEDNESDAY (25 November)								
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						
THURSDAY (26 November)								
	US	Market holiday						
FRIDAY (27 November)								
	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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.