

26 November 2020

Eyeopener

US market holiday today

Correction of optimism after US data
 EURPLN still stable, EURUSD testing 1.19
 Polish debt slightly weaker, core markets slightly stronger
 Today US market holiday

Wednesday saw a correction of the positive market mood persisting during the first two days of the week. Mixed US data (including the weaker initial jobless claims) and profit taking before the day off in the USA might have been the reason for a slight drop of the stock indexes that supported bonds and weighed somewhat on the EM currencies. Minutes from the last FOMC meeting confirmed that according to the Committee's members the accommodative monetary policy is still needed to support the economic recovery. According to the FOMC members, the current stance of monetary policy is appropriate but changes cannot be excluded (for example, increasing the debt purchases or shifting them to longer maturities) if the situation deteriorates.

In 3Q the **LFS unemployment rate** rose to 3.4% from 3.1% in 2Q and employment rate to 55.0% from 53.8%. Labour participation rate was 56.9%, up from 55.5%, which means that it returned close to last year's levels (56.7% in 3Q20). The changes are consistent with our interpretation of LFS data: the lack of increase in unemployment rate during the peak pandemic was partly caused by a methodological issue – one has to actively seek a job and this condition was hard to meet when the economy was closed. Normalisation of the situation on the labour market resulted in both employment and unemployment going up. What is interesting, the rise of unemployment was only recorded among women, the number of unemployed men decreased vs 2Q20. Still, 124k of the inactive admitted that the pandemic is the reason why they are not searching for a job. The normalisation was also seen in a decrease of the number of the employed that were not doing any work, the number of people on reduced worktime and working from home. 9.7% of all of the employed were not doing any work and this share was the same as a year ago and much lower than in 2Q (12.1%). 5.9% of them indicated that this was directly linked to the pandemic, compared to 62.2% in 2Q. The number of the employed working less than usual was 103k vs 410k in 2Q20 and 21k in 3Q19. 1180k worked from home vs 2124k in 2Q20 and 733k in 2Q19. The new restrictions introduced in 4Q will likely reverse these changes.

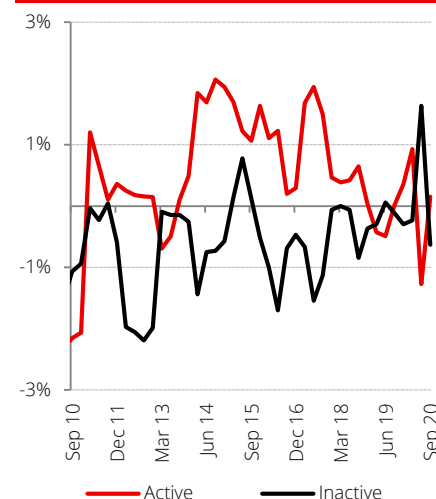
EURUSD tried to break 1.19 third time this month and was close to this level at the end of the session. Today in the morning, the exchange rate is slightly above 1.19. The euro gained despite weaker market mood and perspective of closed market today in the USA. We think today's trading should be rather calm given the absence of the US investors.

EURPLN neutralized Tuesday's drop and closed the day near 4.47. Since last Thursday, the daily trading range does not exceed PLN0.02 and the current week has so far the smallest high-low spread since the final week of October 2019. In our view, the situation will not change significantly by the end of this week.

Other CEE currencies recorded slight weakening. The koruna was outperforming as despite morning depreciation against the euro by 0.5% it managed to end the day with only 0.1% losses and EURCZK stayed close to November minimum (26.11) recorded one day before. EURHUF climbed by 0.3% but its trading range was between Tuesday's low and high. Despite some increase in oil prices, the ruble gave away almost its entire gains versus the dollar recorded on Tuesday.

On the **Polish fixed income market** IRS rates declined, following strengthening Bund and UST, while yields of domestic bonds rose (except 5Y, which lost already on Tuesday). After reaching last week the multi-year high of c.10bp, the 10-year asset swap spread reached c.14bp at the end of the yesterday's session. Since last Wednesday the 10-year bond yield spread against Germany has been also rising: from 173bp to 183bp, the second reading above 180 this week.

Trends on the Polish labour market (% y/y)



Source: BEAL, Santander

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FX market

Today's opening

EURPLN	4.4677	CZKPLN	0.1692
USDPLN	3.7444	HUFPLN*	1.2257
EURUSD	1.1932	RUBPLN	0.0496
CHFPLN	4.1241	NOKPLN	0.4237
GBPPLN	5.0103	DKKPLN	0.5999
USDCNY	6.5700	SEKPLN	0.4397

*for 100HUF

Last session in the FX market

25/11/2020

	min	max	open	close	fixing
EURPLN	4.458	4.475	4.459	4.461	4.471
USDPLN	3.742	3.765	3.749	3.746	3.756
EURUSD	1.188	1.193	1.190	1.191	-

Interest rate market 25/11/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.07	2
DS0725 (5Y)	0.52	2
DS1030 (10Y)	1.26	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.20	-1	0.22	0	-0.53	1
2L	0.27	-1	0.25	0	-0.52	0
3L	0.37	-1	0.30	0	-0.51	-1
4L	0.50	-2	0.36	-1	-0.48	0
5L	0.64	-2	0.46	0	-0.45	-1
8L	0.96	-2	0.73	0	-0.33	0
10L	1.14	-2	0.87	0	-0.24	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.09	0
T/N	0.10	0
SW	0.12	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	-1
3x6	0.18	-1
6x9	0.19	-1
9x12	0.21	0
3x9	0.22	-1
6x12	0.24	0

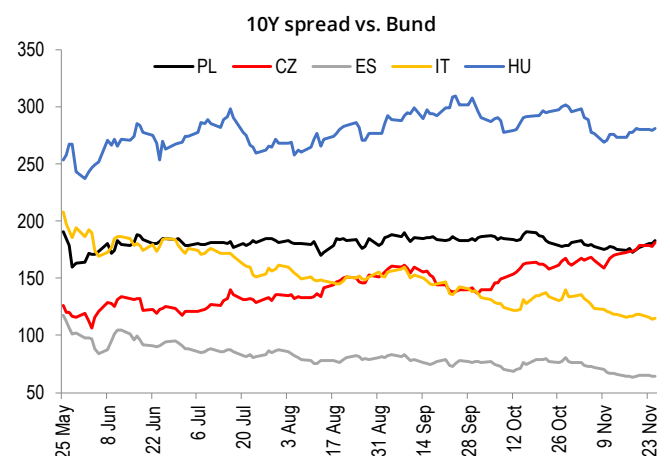
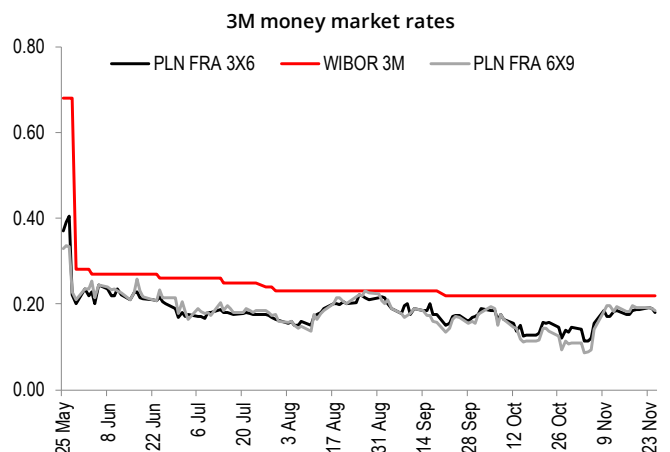
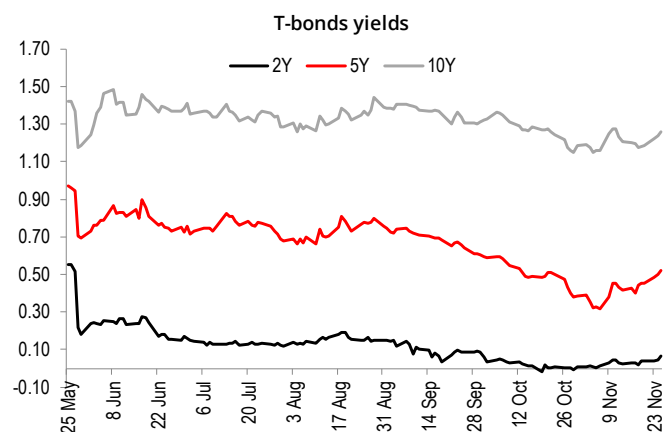
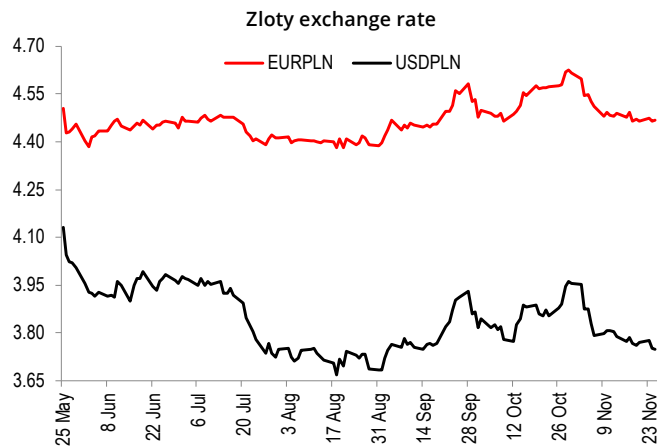
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	54	0	183	2
France	10	0	24	0
Hungary	62	0	281	2
Spain	48	0	64	0
Italy	75	0	115	1
Portugal	28	0	60	-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



Economic Calendar

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	-	90.7	92.7
14:00	PL	Money Supply M3	Oct	% y/y	17.0	16.6	17.0	17.0
16:00	US	Consumer Conference Board	Nov	pts	98.0	-	96.1	100.9
WEDNESDAY (25 November)								
10:00	PL	Unemployment Rate	Oct	%	6.1	6.1	6.1	6.1
14:30	US	Durable Goods Orders	Oct	% m/m	1.0	-	1.3	2.1
14:30	US	GDP Annualized	3Q	% Q/Q	33.1	-	33.1	-31.4
14:30	US	Initial Jobless Claims	week	k	730	-	778	748
16:00	US	Michigan index	Nov	pts	77.0	-	76.9	77.0
16:00	US	New Home Sales	Oct	% m/m	1.7	-	-0.3	0.1
16:00	US	Personal Spending	Oct	% m/m	0.4	-	0.5	1.1
16:00	US	Personal Income	Oct	% m/m	-0.1	-	-0.7	0.7
16:00	US	PCE Deflator SA	Oct	% m/m	0.0	-	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

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