

## Eyeopener

### New Financial Shield announced

Market sentiment still slightly negative  
 PM announced the second Financial Shield  
 Zloty slightly weaker, EURUSD still near 1.19  
 Polish debt gained  
 Today ESI sentiment indicators in Europe

The Thursday session resulted in some weakening of CEE currencies (due to stronger dollar) and a decline of yields on core bond markets and the Eurozone periphery. A further slight deterioration of sentiment was caused by remarks of Angela Merkel, that the anti-pandemic restrictions in Germany will stay in place in the nearest future. Minutes from the October ECB meeting confirmed what governor Christine Lagarde said during the press conference after the decision: weaker data, lower core inflation readings and growing risk factors for the economy may, in the central bankers' view, justify changes in monetary policy instruments at the meeting scheduled for 10 December.

PM Morawiecki said that the new **Financial Shield 2.0** should be available since January, after a green light from the European Commission. It will consist of subsidies and loans from the Polish Development Fund (PFR). In contrast to the first round of support, aid will be available only for specified sectors (mainly accommodation, gastronomy, recreation and culture). Micro-companies will be allotted PLN3bn under condition of recording a drop of revenues by more than 30% and remission of this loan will be possible if no job cuts take place for 12 months. Small and medium-size companies will have PLN7bn at their disposal to cover 70% of gross loss recorded in November 2020 – April 2021. Loans for smaller companies granted in the first round of the Financial Shield could be completely written off after one year (earlier: up to 75%). Big companies could get up to PLN25bn in the same instruments as in the first round, with "improved conditions and processes". The government plan is mostly based on unused financial means raised for the first round, so the total value of the fiscal impulse will not change much as compared to the initial plans.

**Prime ministers of Poland and Hungary** have issued a common declaration, in which they both are against of binding the rule of law with the EU funds and announced they would block any form of compromise which would not be acceptable for the other country. PM Morawiecki said that vetoing the EU budget is "the base case scenario" for now. Foreign Affairs Minister Zbigniew Rau said that the risk of Polish veto has to be taken seriously, however Poland is open to agreement with the EU.

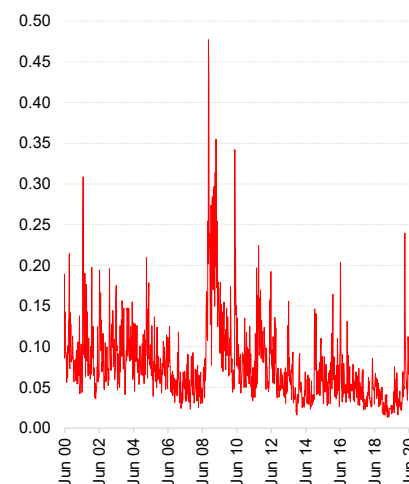
In the first part of the day **EURUSD** broke the Wednesday high and reached 1.194. However in the following hours the currency pair corrected lower and closed towards 1.190. Today there is not much data, only European ESI, which (after Ifo and PMIs) will not shed much more light on the Europe's economies. At the end of the week EURUSD might lack strength to meaningfully detach from 1.19 level upwards.

**EURPLN** rose yesterday to c.4.48 from 4.46, remaining in a tight consolidation observed since a few days. USDPLN rose above 3.76 from 3.74.

In case of the **other CEE currencies** we have also seen small changes: EURCZK rose 0.1% but remained near 26.1, its lowest level since August; EURHUF was trading around 361 and the daily range did not exceed 0.1%; USDRUB rose 0.3% to 75.64.

On the **domestic interest rate market** IRS and bond yields traded down following the strengthening Bund. Polish curves shifted by no more than 5bp (for the 10Y benchmark). The 10Y asset swap spread stabilized and both curves flattened a bit. The 10Y PL-DE bond yield spread widened slightly (to 181bp). At the yesterday's switch auction, the Ministry of Finance sold bonds for PLN3.75bn (the most of PS0425: PLN1.6bn) and repurchased bonds for PLN3.7bn (most of PS0721: PLN1.2bn). The Ministry said that after the auction next year's gross borrowing needs are covered in c13%.

#### Weekly high-low spread for EURPLN



Source: Refinitiv, Santander

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**FX market**

Today's opening			
EURPLN	4.4741	CZKPLN	0.1710
USDPLN	3.7536	HUFPLN*	1.2280
EURUSD	1.1925	RUBPLN	0.0495
CHFPLN	4.1437	NOKPLN	0.4234
GBPPLN	5.0136	DKKPLN	0.6014
USDCNY	6.5806	SEKPLN	0.4407

\*for 100HUF

Last session in the FX market						26/11/2020
	min	max	open	close	fixing	
EURPLN	4.462	4.478	4.464	4.472	4.474	
USDPLN	3.738	3.765	3.743	3.756	3.759	
EURUSD	1.188	1.194	1.193	1.191	-	

**Interest rate market** 26/11/2020

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.06	-1
DS0725 (5Y)	0.48	-4
DS1030 (10Y)	1.23	-3

**IRS 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	0.27	-1	0.26	0	-0.52	0
3L	0.36	-1	0.29	-1	-0.51	0
4L	0.48	-2	0.37	2	-0.49	-1
5L	0.61	-3	0.46	1	-0.46	-1
8L	0.93	-3	0.74	1	-0.35	-2
10L	1.11	-3	0.88	1	-0.26	-2

**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	0
3x6	0.18	0
6x9	0.18	-1
9x12	0.18	-2
3x9	0.22	0
6x12	0.24	0

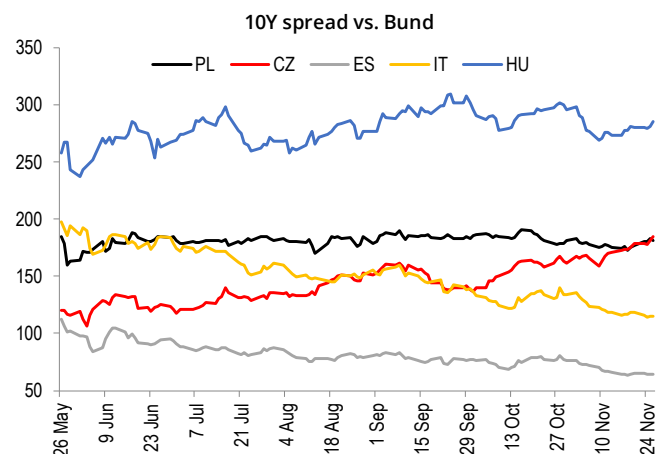
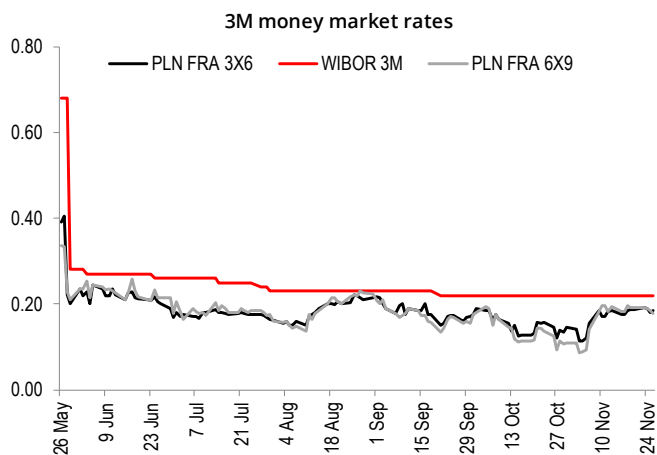
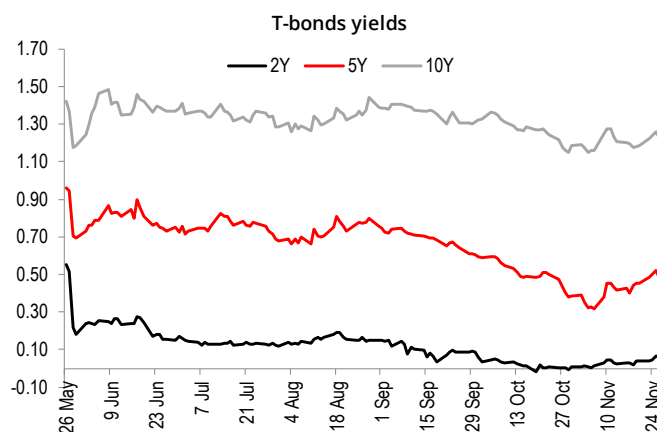
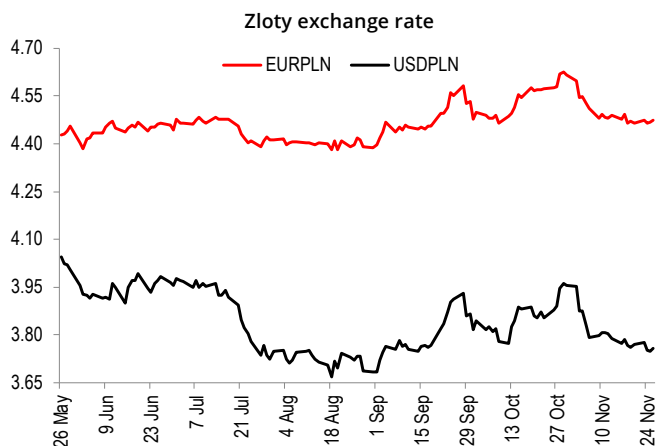
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	54	0	181	-1
France	10	0	24	0
Hungary	62	0	286	4
Spain	48	0	64	0
Italy	74	0	115	0
Portugal	28	0	60	0
Ireland	14	0	31	-1
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

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
CET								
<b>FRIDAY (20 November)</b>								
10:00	PL	<b>Sold Industrial Output</b>	Oct	% y/y	0.5	1.0	1.0	5.9
10:00	PL	<b>PPI</b>	Oct	% y/y	-0.8	-0.8	-0.4	-1.4
<b>MONDAY (23 November)</b>								
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	<b>Construction Output</b>	Oct	% y/y	-5.8	-6.5	-5.9	-9.8
10:00	PL	<b>Retail Sales Real</b>	Oct	% y/y	-0.7	-0.6	-2.3	2.5
<b>TUESDAY (24 November)</b>								
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	<b>Money Supply M3</b>	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
<b>WEDNESDAY (25 November)</b>								
10:00	PL	<b>Unemployment Rate</b>	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						
<b>THURSDAY (26 November)</b>								
	US	Market holiday						
<b>FRIDAY (27 November)</b>								
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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