

1 December 2020

Eyeopener

Today CPI and PMI in manufacturing

Stock market sentiments slightly worse at the start of the week
Zloty stronger, EURUSD higher
Polish debt stable
Today Poland's CPI and PMI in manufacturing, GDP in Hungary and Czechia

On Monday markets started the week in red despite positive data from China coming early in the morning. In the USA pending home sales were lower than expected, possibly due to already quite high house prices. Dallas Fed index of manufacturing activity fell m/m and came below expectations. German Chancellor Angela Merkel said that there is still no scope for the end of negotiations with Poland and Germany regarding the recovery fund. Yields on core bond markets were stable, gold and oil prices declined. Joe Biden announced nominees for the main economic posts in the administration: ex-Fed chairwoman Janet Yellen is to become the Treasury Secretary. She is considered a supporter of a strong fiscal impulse during the crisis.

GDP rebounded by 7.9% q/q in SA terms to -1.5% y/y from -8.4% y/y in 2Q20. As we expected, the recovery was driven by private consumption (+0.4% y/y vs -10.8% y/y in 2Q20) and by foreign demand (net exports contributing +1.7 pp to GDP growth), while investments remained dented (-9.0% y/y vs -10.7% y/y in 2Q20). In 4Q20 the GDP growth will go down again due to the second bout of epidemic and the renewed lockdown. We are expecting the 4Q20 GDP to go down by about 4% y/y, mostly due to weaker private consumption. For 2021 we are hoping for a marked recovery in 2H21, while 1Q may be still subdued due to recurring pandemic in the winter season. While the third round of lockdown is still possible, the risk of further waves of the epidemic in 2H21 seem to be diminishing given positive vaccine news. Read more in [Economic Comment](#).

After 3Q **local governments registered a surplus** of PLN18.8bn vs PLN14.0bn after 3Q19. In the 3Q alone the revenues rose by 12.3% y/y and expenditures by 3.5% y/y. Despite the pandemic, revenues of this sector look quite solid, own incomes went up in 1-3Q20 by 5.4% y/y while PIT revenues dropped by 5.4% y/y at this time. There was a strong rise of subsidies to carry central government tasks. The improving financial result was also caused by reduced investments: outlays fell by 10.7% y/y in 3Q after +2.1% y/y in 2Q. Expenditures financed with EU funds dropped by 20% y/y. Poor investment activity of local governments will be negatively affecting the total investment growth in the economy in 4Q.

EURUSD, after having risen by 0.9% to 1.196 last week, continued rising on Monday and reached 1.20 (+0.4%) and then retraced to 1.196. The next important level on the way up is 1.2044 (the 2017 high).

EURPLN on Monday reversed its increases from the end of last week and declined along most EM currencies by 0.3%, to 4.474. Markets are still watching closely talks about the EU budget (on Monday PMs of Poland and Hungary met again in Warsaw) and the level 4.46 is a very important support (the rate has rebounded from it six times only in November). We estimate that the potential for further strengthening of the zloty is small.

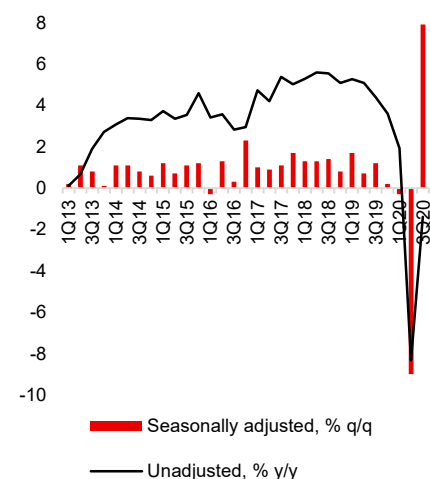
In case of the **other CEE currencies**, EURHUF fell 0.7% and broke the last week's low. EURCZK remained stable near 26.2. USDRUB rose 0.5% after a volatile day. Today the OPEC decision.

On the domestic interest rate market the 2Y and 5Y IRS did not change and the 10Y rate rose to 1.14% (+2bp). The bond yield curve did not move: 2Y at 0.06%, 5Y at 0.45%, 10Y at 1.24%. The 10 PL-DE bond yield spread held at 182bp.

Ministry of Finance announced that the **% share of foreign investors in POLGBs** fell again. By PLN4.5bn m/m to PLN131.3bn (from 17.3% to 16.9%). The share of local banks stays at 56.1% (up from 55.9%). What's more, at the end of month size of the liquid budgetary accounts stood at PLN 109bn, while the financing needs for 2021 are financed in 13%.

In December **the bond issuance calendar** looks as follows: BGK planned 2 auctions on 9 and 17 December (10Y, 13Y and 20Y bonds, so far issued PLN 96.3bn). In the meantime on 11 December, the Ministry of Finance will organise a switch auction (WZ0121, PS0421, OK0521, PS0721, DS1021 for OK0423, PS0425, DS1030, WZ1126, WZ1131). Then on 16 December NBP will run a purchase auction..

Polish GDP growth



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.4731	CZKPLN	0.1703
USDPLN	3.7409	HUFPLN*	1.2467
EURUSD	1.1962	RUBPLN	0.0491
CHFPLN	4.1244	NOKPLN	0.4219
GBPPLN	5.0055	DKKPLN	0.6011
USDCNY	6.5616	SEKPLN	0.4371

*for 100HUF

Last session in the FX market 30.11.2020

	min	max	open	close	fixing
EURPLN	4.467	4.487	4.480	4.480	4.478
USDPLN	3.725	3.752	3.743	3.750	3.736
EURUSD	1.194	1.200	1.197	1.195	-

Interest rate market 30.11.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.06	-1
DS0725 (5Y)	0.49	-1
DS1030 (10Y)	1.24	0

IRS on the interbank market**

Risks 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	0	0.22	-3	-0.52	0
3L	0.38	2	0.27	-2	-0.51	0
4L	0.51	2	0.33	-3	-0.49	0
5L	0.65	2	0.43	-1	-0.46	1
8L	0.97	3	0.69	0	-0.35	0
10L	1.15	3	0.84	0	-0.26	0

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	0.18	0
9x12	0.18	0
3x9	0.22	0
6x12	0.24	1

Measures of fiscal risk

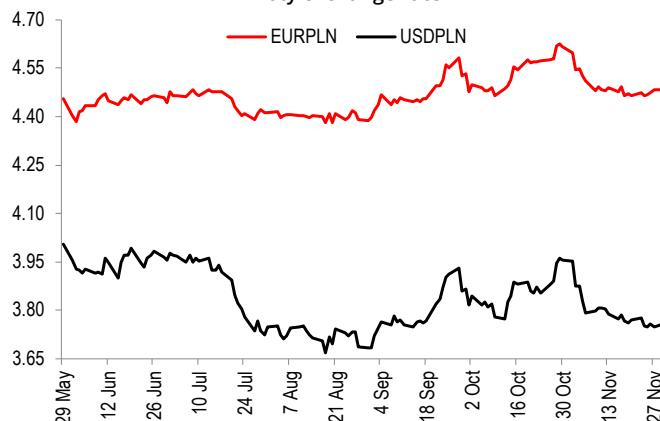
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	53	0	181	-2
France	10	0	24	0
Hungary	62	-8	283	-1
Spain	48	0	65	1
Italy	76	0	116	1
Portugal	28	0	61	0
Ireland	14	0	31	1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

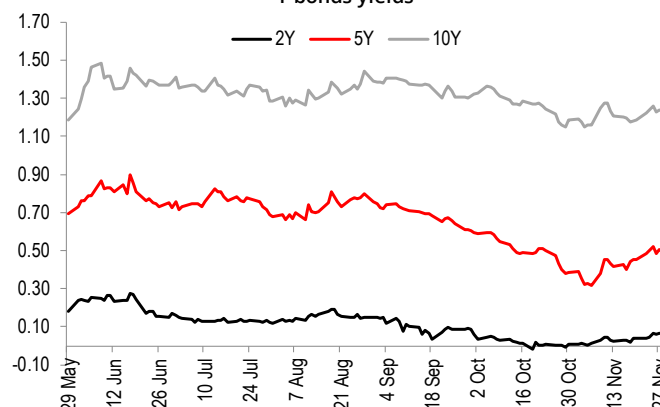
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

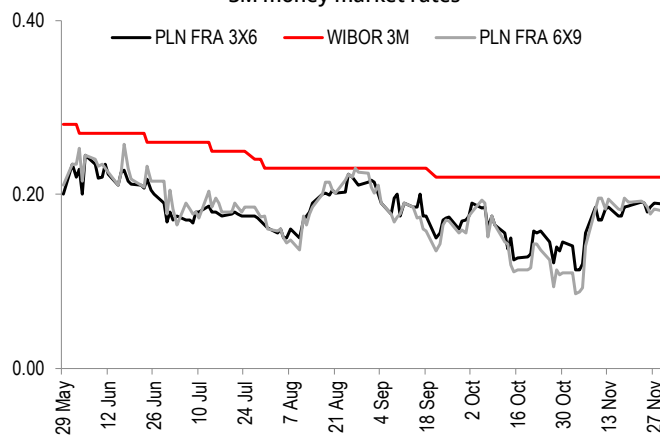
Zloty exchange rate



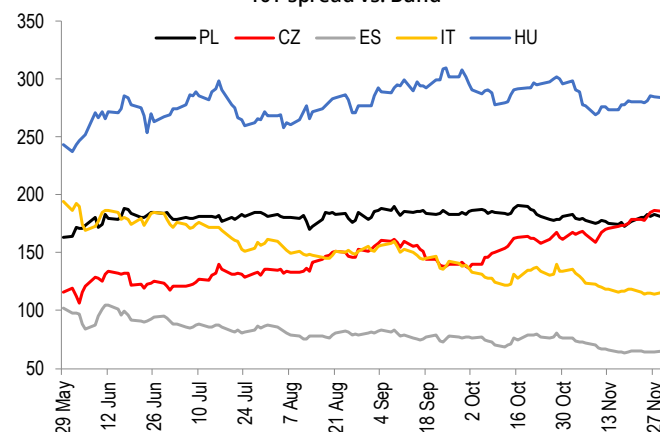
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
FRIDAY (27 November)								
11:00	EZ	ESI	Nov	pct.	86.0		87.6	90.9
MONDAY (30 November)								
10:00	PL	GDP	3Q	% y/y	-1.6		-1.5	-8.4
14:00	DE	HICP	Nov	% m/m	-0.8		-1.0	0.0
16:00	US	Pending Home Sales	Oct	% m/m	1.0		-1.1	-2.2
TUESDAY (1 December)								
09:00	CZ	GDP SA	3Q	% y/y	-5.8		-	-5.8
09:00	PL	Poland Manufacturing PMI	Nov	pts	50.9	50.4	-	50.8
09:00	HU	GDP	3Q	% y/y	0.0		-	-4.6
09:55	DE	Germany Manufacturing PMI	Nov	pts	57.9		-	58.2
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	53.6		-	54.9
10:00	PL	CPI	Nov	% y/y	3.0	3.0	-	3.1
11:00	EZ	Flash HICP	Nov	% y/y	-0.2		-	-0.3
16:00	US	ISM manufacturing	Nov	pts	57.6		-	59.3
WEDNESDAY (2 December)								
	PL	MPC decision		%	0.1	0.1	-	0.1
11:00	EZ	Unemployment Rate	Oct	%	8.5		-	8.3
14:15	US	ADP report	Nov	k	500.0		-	364.6
THURSDAY (3 December)								
02:45	CN	Caixin China PMI Services	Nov	pts	56.4		-	56.8
09:55	DE	Markit Germany Services PMI	Nov	pts	46.2		-	49.5
10:00	EZ	Eurozone Services PMI	Nov	pts	41.3		-	46.9
11:00	EZ	Retail Sales	Oct	% m/m	0.5		-	-2.0
14:30	US	Initial Jobless Claims	Nov.20	k	765.0		-	778.0
16:00	US	ISM services	Nov	pts	56.0		-	56.6
FRIDAY (4 December)								
08:00	DE	Factory Orders	Oct	% m/m	2.0		-	0.5
09:00	HU	Industrial Production SA	Oct	% y/y	0.0		-	-0.97
14:30	US	Change in Nonfarm Payrolls	Nov	k	500.0		-	638.0
14:30	US	Unemployment Rate	Nov	%	6.8		-	6.9
16:00	US	Durable Goods Orders	Oct	% m/m	0.8		-	1.3
16:00	US	Factory Orders	Oct	% m/m	0.8		-	1.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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