

2 December 2020

Eyeopener

Today MPC meeting

Positive moods on the stock markets
 EURPLN broke a major support, EURUSD highest since 2018
 Polish bonds lose following core markets
 Today MPC decision, euro zone unemployment rate, ADP report in the USA

On Tuesday stock indexes were rising seeing better than expected November manufacturing PMIs in Japan, China but also in the euro zone. Only US industrial ISM disappointed, but was still decent at 57.5 pts. The dollar was still weakening and reached the weakest level vs the euro since 2018. Core bond market yields rose: UST 10Y by 7bp to 0.92% and Bund by 4bp to -0.53%. The extended time of OPEC talks about oil output increase led to an almost 2% decline of the commodity's price. Joe Biden said that when becoming the US president, he will not seek an instant removal of tariffs on trade with China, instead he plans to keep the current phase-one deal in place and have a review of the policy regarding this country. This weakened the Chinese currency.

Flash **CPI inflation** showed 3.0% y/y in November vs. 3.1% in October, in line with our and market expectations. Food prices declined by 0.1% m/m and we assume it was mostly due to falling meat prices (effect of ASF in Germany). Fuel prices went up by 0.2% m/m and this comes as a surprise for us as data from petrol stations suggested a downward move. Core inflation is likely to fall into 4.1-4.2% y/y range suggesting again that the new lockdown did not trigger strong price movements. We are expecting inflation to go further down in the months to come. The path for 2021 depends much on URE (electricity market regulator) decision about electricity tariffs, to be announced soon.

In November **Polish manufacturing PMI** remained at 50.8 pts. Output and new orders components weakened but this was offset by strong job creation (the fastest in 2.5 years, a response to higher share of quarantined employees which caused capacity constraints) and severe delays in delivery times (this pushes the headline index up). A marked rise of input costs did not translate to output prices to a large extent. We maintain our view that industry will be much more robust in Poland than during the first wave of the pandemic in spring.

On Tuesday after opening near 1.195 **EURUSD** moved higher and attempted to break 1.20 level – this time with success and closed the day at 1.202, by 0.6% higher. Today the pair opens even higher at 1.208.

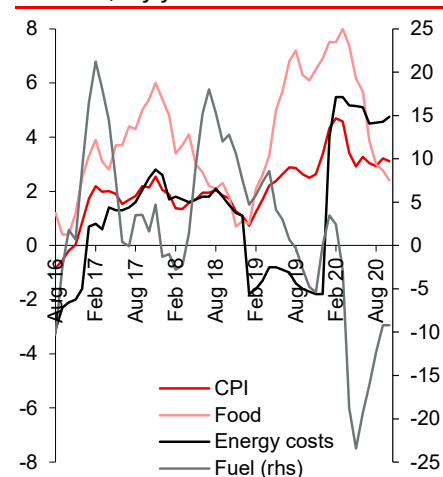
EURPLN has broken below the 200-day moving average and got to 4.455 – another important support level created by a line touching 2020 local lows in January, February and August. Breaking this level as well opens the door to EURPLN fall to 4.40 temporarily.

As to the **other CEE currencies**, EURHUF has declined abruptly for a second day in a row. The WTD down move stands at 1.5% of which on Tuesday 0.8pp (to 356.3) after a stronger than expected manufacturing PMI reading (to 51.9 from 50.1). Final Q3 GDP reading printed slightly above expectations while the October PPI accelerated to 5.9% y/y from 5.2% in the preceding month. In Czechia the preliminary Q3 GDP was also above expectations (-5.0% y/y vs -5.8% y/y), while the manufacturing PMI also beat significantly to the upside (to 53.9 from 51.9), EURCZK however has not changed much (26.3). USDRUB declined by 0.9% to 75.6 after the OPEC has still not decided on the oil production.

On the domestic interest rate market yield jumped after a pretty decent PMI readings that in case of Poland remained at an elevated level of 50.8pts (vs 50.2pts expected). The 10Y IRS rose 5bp to 1.19%, 5Y by 4bp to 0.67% leading to the steepening of the curve. The 2-10 spread increased to 91bp (its highest since late 2018) and 5-10 to 52bp (only marginally below its record high 57bp from 2016). Bond yields also headed up: 5Y to 0.47%, 10Y to 1.26%, both +2bp. The 10Y PL-DE bond yield spread closed at 178bp.

The today's MPC meeting is likely to be uneventful. Based on statements and comments of the Council's members we conclude that there is a broad consensus for a the rates to remain stable for longer, at least until the end of the MPC's term.

Polish CPI, % y/y



Source: GUS, Santander

Polish forward IRS 5y5y



Source: Bloomberg, 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	4.4469	CZKPLN	0.1689
USDPLN	3.6802	HUFPLN*	1.2476
EURUSD	1.2083	RUBPLN	0.0487
CHFPLN	4.0895	NOKPLN	0.4179
GBPPLN	4.9391	DKKPLN	0.5972
USDCNY	6.5587	SEKPLN	0.4336

*for 100HUF

Last session in the FX market

01.12.2020

	min	max	open	close	fixing
EURPLN	4.447	4.483	4.475	4.452	4.477
USDPLN	3.693	3.747	3.743	3.699	3.737
EURUSD	1.195	1.205	1.196	1.204	-

Interest rate market 01.12.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.11	5
DS0725 (5Y)	0.52	3
DS1030 (10Y)	1.26	3

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.20	0	-0.53
2L	0.28	1	-0.51
3L	0.38	0	-0.50
4L	0.52	1	-0.48
5L	0.67	2	-0.44
8L	1.01	4	-0.32
10L	1.19	4	-0.23

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.09	-1
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	0.18	0
9x12	0.18	0
3x9	0.23	1
6x12	0.23	-1

Measures of fiscal risk

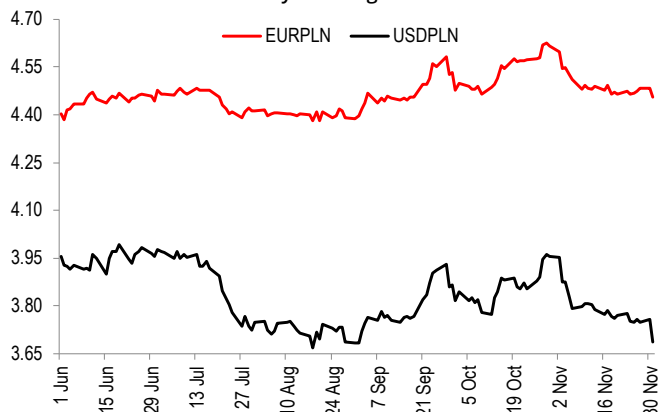
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	53	178
France	10	24
Hungary	62	277
Spain	48	65
Italy	76	116
Portugal	28	61
Ireland	14	30
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

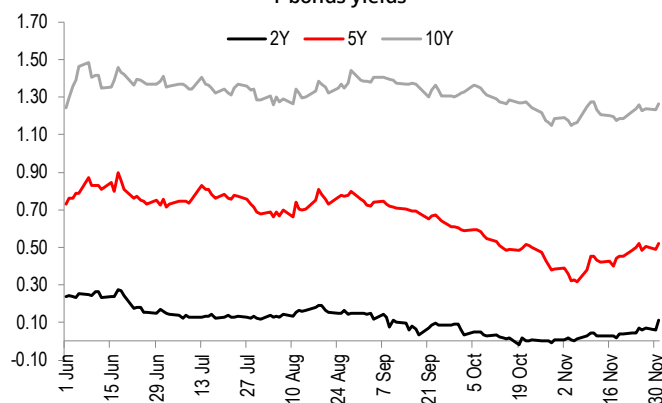
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

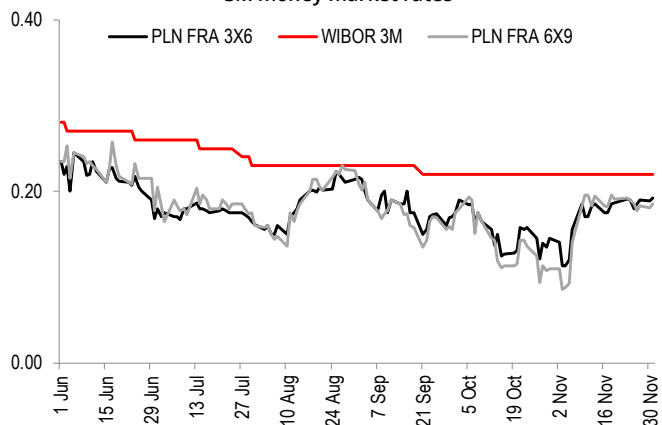
Zloty exchange rate



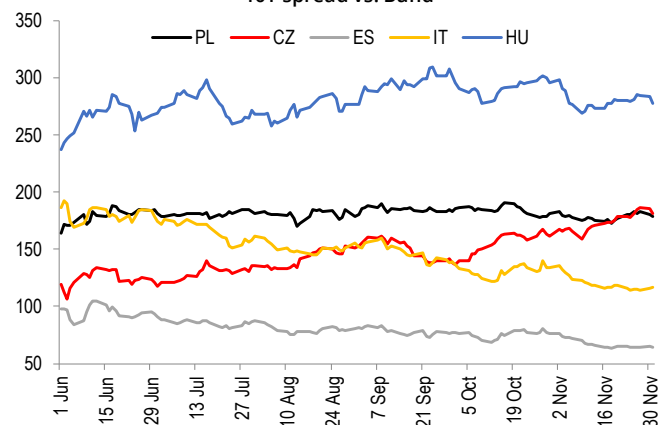
T-bonds yields



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		-5.0	-5.8
09:00	PL	Poland Manufacturing PMI	Nov	pts	50.2	50.4	50.8	50.8
09:00	HU	GDP	3Q	% y/y	-4.6		-4.6	-4.6
09:55	DE	Germany Manufacturing PMI	Nov	pts	57.9		57.8	58.2
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	53.6		53.8	54.9
10:00	PL	CPI	Nov	% y/y	3.1	3.0	3.0	3.1
11:00	EZ	Flash HICP	Nov	% y/y	-0.2		-0.3	-0.3
16:00	US	ISM manufacturing	Nov	pts	58.0		57.5	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

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>.