

3 December 2020

# Eyeopener

## MPC left rates unchanged

MPC left rates unchanged  
LFS unemployment slightly up  
EURPLN up together with other CEE currencies  
Bonds weaker  
Today data PMI for services in China, euro zone and USA

Equity markets were fairly stable on Wednesday, while bond yields continued their rise, for example 10Y UST soared to 0.95%, by 3bp yesterday and already 9bp since last week; Bund yield rose less, by 1bp. The dollar stabilised at weaker level. Oil and gold prices went up slightly. Economic data from Asia (Australian 3Q GDP) and Europe (German retail sales) were better than expected and supported higher-risk assets. In the second part of the day the ADP report from the US labour market was worse than expected, and as a result stock markets ended the day slightly below zero.

The European Commission started working **on emergency plan in case Poland and Hungary block the approval of the EU budget**. In case of the veto, the increase of the EU own funds agreed in July will not come into force, which will imply a drop of spending in 2021 by c.EUR25-30bn. Moreover, the Commission considers alternatives for the Recovery Fund, mulling options of launching the money without Poland and Hungary.

According to Eurostat **the LFS unemployment rate** in Poland stood at 3.5% in seasonally adjusted terms. At the same time the previous values were revised and showed that during the first wave of the pandemic there was actually an increase in unemployment (earlier Eurostat claimed that the unemployment rate had not changed during the first wave). The unemployment rate grew from 3.0% at the end of Q1 2020 to 3.4% at the end of Q2 and levelled off (stayed there until October rise). It means that from March the number of unemployed (seasonally adjusted) increased by 92k. To compare, in the same period of 2019 the number of unemployed dropped by 114k.

Yesterday **MPC meeting** brought no new insights into the monetary policy. Interest rates were left unchanged at the current 0.1% level. The communique after the meeting was essentially the same as the previous one. We think that the monetary policy will not be changed in 2021 and maybe even until 2022 when the mandate of the current MPC expires.

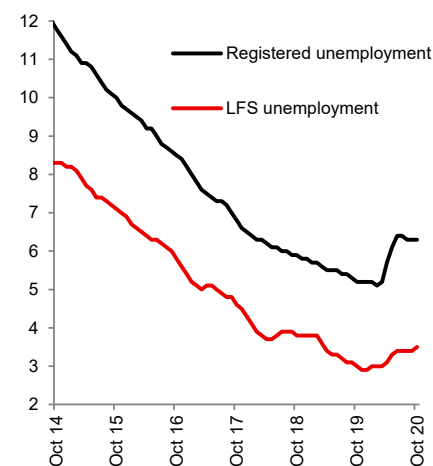
**EURUSD** continued to rise and on Wednesday it reached 1.21 (+0.4%). The intraday volatility suggests however that the fx pair is overbought. This means that a further upside move is now less probable in the short term.

**EURPLN**, having opened around 4.45, rose significantly during the day to 4.482, reversing the decline from the previous day. The exchange rate is in the same place as in the middle of November. No rise from that level may be a sign of EURPLN already being oversold which makes a rise more probable in the coming days.

**In case of the other CEE currencies**, EURHUF followed EURPLN and rebounded to 358.8 taking the 2-day change to 0%. The final reading of the trade balance did not surprise. EURCZK rose 0.5% to 26.4. USDRUB fell for the second day in a row and reached 75.2 with the 2-day % change now at 1.7%. The ruble could have benefited from data showing drop of oil inventories in the USA while OPEC+ is still discussing the oil supply issue.

On **the domestic interest rate market** IRS remained fairly stable (5Y at 0.66%, 10Y at 1.18%). Mid- and long-term bonds were rather offered with 5Y and 10Y yields closing at 0.48% and 1.27%, respectively. The 10Y PL-DE bond yield spread amounted to 179bp and the asset swap spread to 9bp.

### SA unemployment rates in Poland



Source: GUS, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
website: [santander.pl/en/economic-analysis](https://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	4.4756	CZKPLN	0.1693
USDPLN	3.6915	HUFPLN*	1.2376
EURUSD	1.2121	RUBPLN	0.0490
CHFPLN	4.1297	NOKPLN	0.4202
GBPPLN	4.9452	DKKPLN	0.6012
USDCNY	6.5569	SEKPLN	0.4364

\*for 100HUF

### Last session in the FX market

02.12.2020

	min	max	open	close	fixing
EURPLN	4.442	4.491	4.444	4.484	4.464
USDPLN	3.678	3.722	3.684	3.709	3.704
EURUSD	1.204	1.211	1.207	1.209	-

## Interest rate market 02.12.2020

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.12	0
DS0725 (5Y)	0.53	1
DS1030 (10Y)	1.27	1

### IRS on the interbank market\*\*

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.20	0.22	-0.53
2L	0.27	0.24	-0.51
3L	0.37	0.28	-0.50
4L	0.50	0.36	-0.48
5L	0.65	0.46	-0.45
8L	1.00	0.76	-0.32
10L	1.18	0.92	-0.23

## WIBOR rates

Term	%	Change (bps)
O/N	0.09	0
T/N	0.09	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	-1
3x6	0.18	-1
6x9	0.18	0
9x12	0.19	1
3x9	0.22	-1
6x12	0.23	0

## Measures of fiscal risk

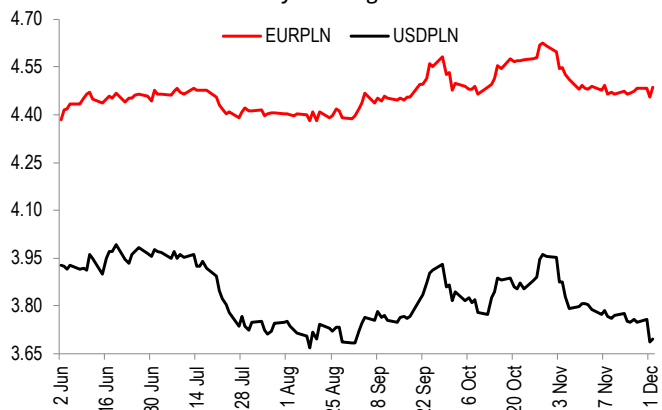
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	54	179
France	10	24
Hungary	60	279
Spain	48	63
Italy	74	113
Portugal	28	59
Ireland	14	30
Germany	8	-

\* 10Y treasury bonds over 10Y Bunds

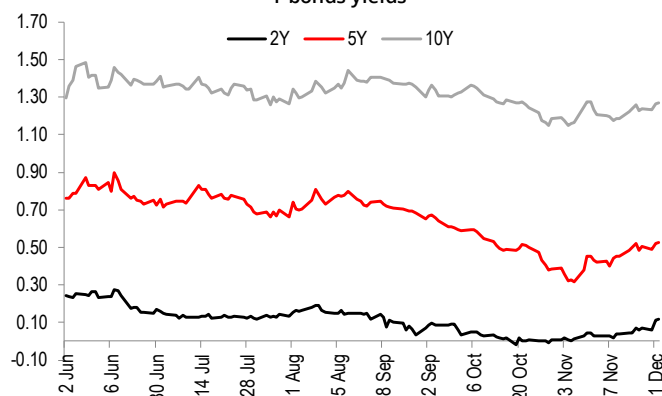
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

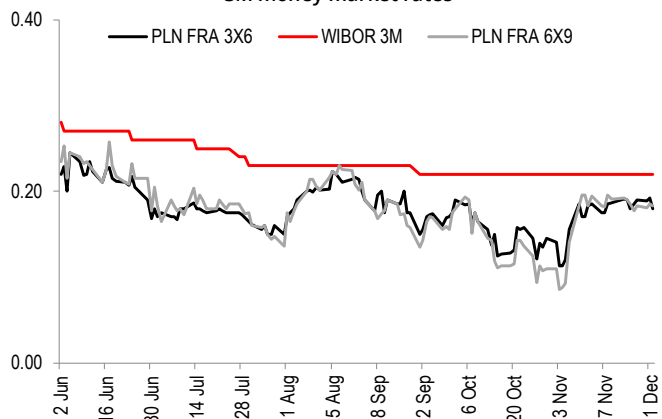
## Zloty exchange rate



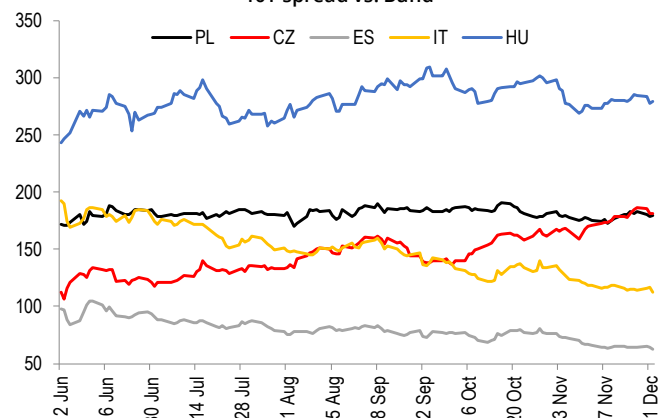
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
<b>FRIDAY (27 November)</b>								
11:00	EZ	ESI	Nov	pct.	86.0		87.6	90.9
<b>MONDAY (30 November)</b>								
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
<b>TUESDAY (1 December)</b>								
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
<b>WEDNESDAY (2 December)</b>								
	PL	MPC decision		%	0.1	0.1	0.1	0.1
11:00	EZ	Unemployment Rate	Oct	%	8.4		8.4	8.3
14:15	US	ADP report	Nov	k	440.0		307.0	404.0
<b>THURSDAY (3 December)</b>								
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
<b>FRIDAY (4 December)</b>								
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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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](mailto:ekonomia@santander.pl), <http://www.santander.pl>.