

4 December 2020

Eyeopener

Today US labour market report

Stock market and oil stable, dollar weakens

EURPLN down to 4.47

Bonds lose, especially on the long end, wider spread to Bund

Today industrial orders in Germany and USA, US labour market report

On Thursday for another day in a row the equity markets did not change much and core bond yields were also stable. The dollar was weakening substantially, by c.0.5% vs G10 fx basket, and oil price was stable waiting for the outcome of the prolonged OPEC+ meeting where 2021 output was discussed. As for the macro data: Chinese, Japanese and Spanish services PMIs improved m/m while the Italian sector saw a deterioration. In the USA the picture was mixed – services PMI rose to 58.4 pts but the ISM counterpart dropped to 55.9 pts. In Turkey, November CPI jumped much above expectations, to 14% y/y (1.3pp above the market consensus). OPEC+ countries reached an agreement on rising oil output by 500k barrels per day in 2021.

According to the NBP's Financial Stability Report ([link](#)) **the shock caused by Covid-19 does not threaten the stability of the financial system**. However, credit loss provisions will cause a significant drop of financial results in the banking sector and decline of its profitability. In the base case scenario the NBP expects that the banking sector may record PLN2.9bn loss in 2021. The central bank pointed to increasing link between the banking sector and the government sector due to rising share of government bonds in bank's assets.

The Ministry of Finance said that **the budget deficit will rise to c.PLN100bn** at the end of the year. By the end of October the deficit was PLN12.1bn. Finance minister Tadeusz Kościński explained that the upcoming huge increase of the deficit will not be caused by current expenditures but by a preparation of financial buffer for 2021 (subsidies covering the costs of child benefit program in 2021, the 13. and 14. pensions). This is in line with [our interpretation](#) of the 2020 budget bill in which the rise of deficit can be hardly linked to epidemic-related expenditures. The amended 2020 budget has PLN109.3bn deficit planned, so in Kościński's view it does not need be amended again.

EURUSD continued the upward trend and reached 1.216. On Thursday alone the currency pair increased by 0.5% while month-to-date already 1.5%. Despite the dynamics and size of the move the positioning against the dollar is not stretched hence the trend has some room to run before any significant correction occurs.

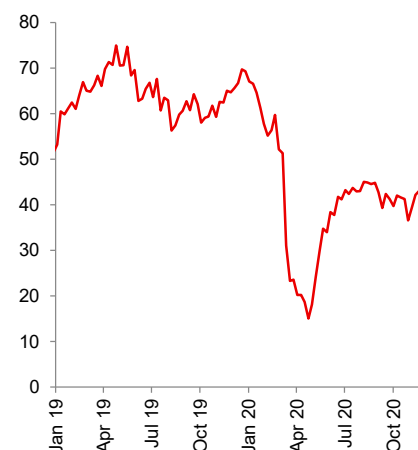
EURPLN after opening near 4.48 on Thursday, tried to break above 4.49 in the first part of the day. It failed to do so however. On top of that improving sentiment on the emerging markets and weakening dollar caused EURPLN to drop to 4.47 on the close.

In case of the **other CEE currencies**, EURHUF fell by as much as 0.7% to 357 despite much worse than expected retail sales reading. EURCZK continued to rise and closed at 26.4. USDRUB benefited from the dollar weakness and oil price stabilization and fell 1% to 74.4.

On **the domestic interest rate market** the IRS curve was moving slowly up on the belly and long end, the 5Y to 0.67% (+2bp), the 10Y to 1.19% (+1bp). The curve remained pretty steep. Bond yields also rose slightly, 5Y to 0.48% (+2bp), 10Y to 1.29% (+2-3bp). The 10Y Bund yield fell 2bp to -0.55% and so the PL-DE spread widened to 183bp.

Polish development fund (PFR) said that on December 10 it will issue PLN500mn of 7Y bonds (PFR1227) for the European Investment Bank.

Brent oil prices, USD



Source: Refinitiv, Santander

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FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4.4681 | CZKPLN | 0.1688 |
| USDPLN | 3.6771 | HUFPLN* | 1.2385 |
| EURUSD | 1.2153 | RUBPLN | 0.0495 |
| CHFPLN | 4.1291 | NOKPLN | 0.4200 |
| GBPPLN | 4.9437 | DKKPLN | 0.6004 |
| USDCNY | 6.5325 | SEKPLN | 0.4356 |

*for 100HUF

Last session in the FX market

03.12.2020

| | min | max | open | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.465 | 4.485 | 4.472 | 4.468 | 4.479 |
| USDPLN | 3.671 | 3.707 | 3.691 | 3.677 | 3.698 |
| EURUSD | 1.210 | 1.218 | 1.212 | 1.215 | - |

Interest rate market 03.12.2020

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| WS0922 (2Y) | 0.09 | -3 |
| DS0725 (5Y) | 0.54 | 1 |
| DS1030 (10Y) | 1.29 | 2 |

IRS on the interbank market**

| Term | PL | US | EZ |
|------|--------------|--------------|--------------|
| | % | % | % |
| | Change (bps) | Change (bps) | Change (bps) |
| 1L | 0.20 | 0.21 | -0.54 |
| 2L | 0.28 | 0.23 | -0.53 |
| 3L | 0.38 | 0.27 | -0.51 |
| 4L | 0.53 | 0.35 | -0.50 |
| 5L | 0.68 | 0.45 | -0.46 |
| 8L | 1.03 | 0.74 | -0.34 |
| 10L | 1.21 | 0.90 | -0.25 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 0.08 | -1 |
| T/N | 0.10 | 1 |
| 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 | 0 |
| 3x6 | 0.19 | 1 |
| 6x9 | 0.19 | 0 |
| 9x12 | 0.19 | 0 |
| 3x9 | 0.22 | 0 |
| 6x12 | 0.23 | 0 |

Measures of fiscal risk

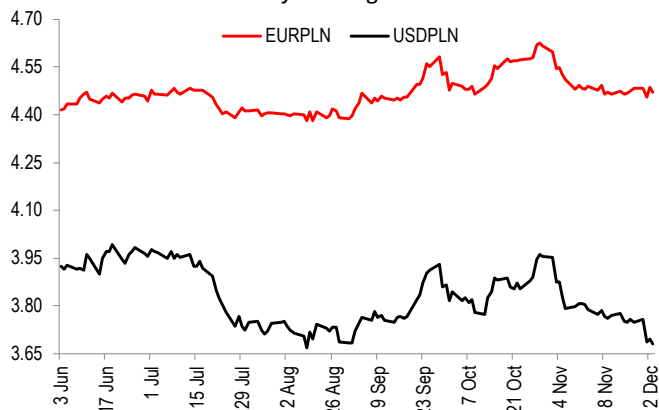
| Country | CDS 5Y USD | 10Y spread* |
|----------|--------------|--------------|
| | Level | Level |
| | Change (bps) | Change (bps) |
| Poland | 50 | 184 |
| France | 9 | 23 |
| Hungary | 60 | 286 |
| Spain | 48 | 62 |
| Italy | 73 | 111 |
| Portugal | 28 | 59 |
| Ireland | 14 | 29 |
| Germany | 8 | - |

* 10Y treasury bonds over 10Y Bunds

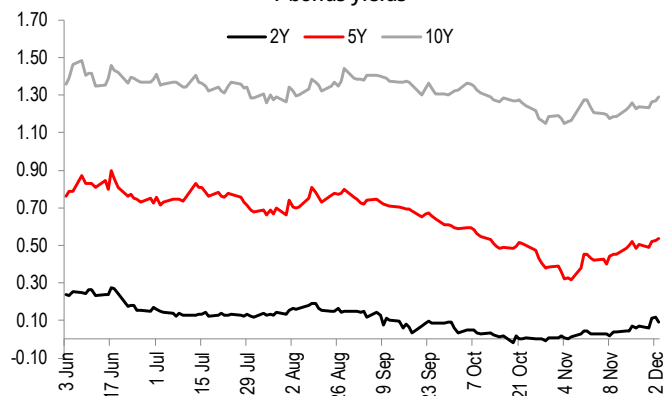
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

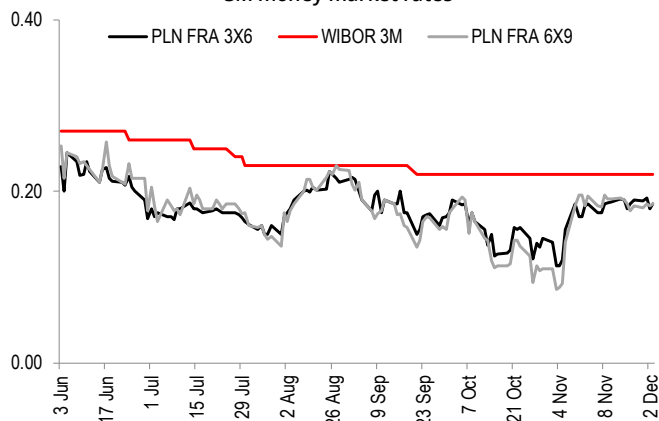
Zloty exchange rate



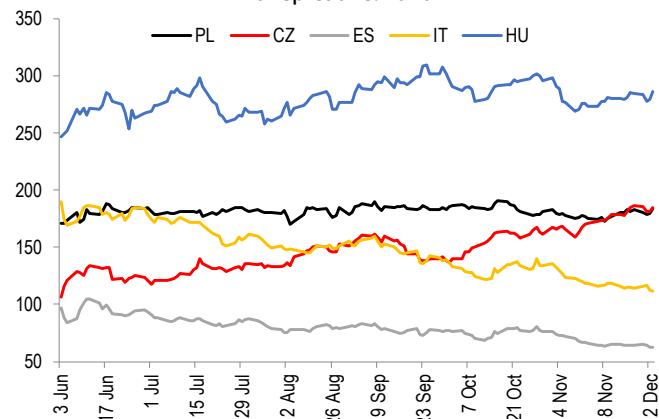
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

| TIME CET | COUNTRY | INDICATOR | PERIOD | | FORECAST | | ACTUAL VALUE | LAST VALUE* |
|-------------------------------|-----------|---------------------------------|------------|--------------|-------------|-------------|-----------------|----------------|
| | | | | | MARKET | SANTANDER | | |
| 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 | 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 |
| THURSDAY (3 December) | | | | | | | | |
| 02:45 | CN | Caixin China PMI Services | Nov | pts | 56.4 | | 57.8 | 56.8 |
| 09:55 | DE | Markit Germany Services PMI | Nov | pts | 46.2 | | 46.0 | 49.5 |
| 10:00 | EZ | Eurozone Services PMI | Nov | pts | 41.3 | | 41.7 | 46.9 |
| 11:00 | EZ | Retail Sales | Oct | % m/m | 0.7 | | 1.5 | -1.7 |
| 14:30 | US | Initial Jobless Claims | Nov.20 | k | 775.0 | | 712.0 | 778.0 |
| 16:00 | US | ISM services | Nov | pts | 55.8 | | 55.9 | 56.6 |
| FRIDAY (4 December) | | | | | | | | |
| 08:00 | DE | Factory Orders | Oct | % m/m | 2.0 | 2.9 | - | 1.1 |
| 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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