

9 December 2020

Eyeopener

Compromise within reach

Positive data from Europe, but stock prices slightly lower
Orban: high chances of a deal on rule of law still this week
Hardt wants a rate hike in 2021, Łon does not see reason
EURPLN down a bit, but still trendless
Domestic bond yields down less than the German ones

On Tuesday the currency market was expecting the Thursday's ECB decision, while bonds were still taking advantage of slightly negative sentiment in the stock markets. German December ZEW index of business sentiment surprised to the upside, showing +55 (expected 45.4, previous 39) and its expectations sub-index worsened only slightly vs November (to -66.5 from -64.3). The second 3Q GDP reading for the euro zone showed slightly lower y/y decline than previously (-4.3% vs -4.4%). The Japan's government approved a new fiscal package worth \$700bn to support the economic recovery (impact on GDP is estimated at 3.6pp) through stimulating investments in green and digital economy. The US Congress debates on launching the fiscal package worth \$900bn. The EU budget will be discussed at the European Council meeting starting tomorrow. German export and import were still rising in October (by 0.8% and 0.3% m/m) but somewhat less than had been expected.

Hungarian PM Viktor Orban said after his yesterday's visit in Poland that both countries are close to reaching an agreement with the EU regarding the rule of law and that this could be achieved still this week. According to Polish RMF FM radio, the compromise for the European Council meeting is already almost reached: Poland and Hungary have initially agreed for the rule of law mechanism to stay but it will be accompanied by guidelines regarding how it will be applied.

MPC member Łukasz Hardt said yesterday during the video-meeting organized by PAP (Polish press agency) that in 2021 it would be necessary to consider hiking rates to 0.50% from current 0.10% along continuing the non-standard measures and extending them (e.g. adding long term repo operations). In his opinion, the 2021 inflation in Poland will be higher than implied by the recent NBP projection, due to growth recovery, possible supply chain shortening, as well as possible increase of money velocity in the economy once the pandemic ends. Hardt is a proponent of increasing the reserve requirement ratio to 3.5% in order to decrease liquidity in the Polish banking sector, which, in his opinion, does not need the extra liquidity as much as it used to at the beginning of the pandemic. In the meantime, **Eryk Łon** reiterated that in his opinion no reasons for rate hikes will occur before the end of the current MPC term (in early 2022).

EURUSD was hovering around 1.21 holding only slightly below its recent peak of c1.218. The dollar again did not benefit from falling stock indexes while the euro could have been supported somewhat but the European data. We think that today's session could be similar since the market is waiting for the outcome of the tomorrow's ECB meeting.

EURPLN was yesterday somewhat more volatile than in the previous three sessions – after an initial rise to 4.49, it pulled back to 4.45 at the end of the day. Taking a broader look, the exchange rate is still moving in the horizontal trend observed since mid-November and it seems that only the outcome of the European Council summit could trigger some bigger move. And yet, the comment of PM Orban suggests there is a chance for the zloty and forint to gain still before this event. USDPLN remained yesterday near 3.68, its local bottom from August.

In case of the **other CEE currencies**, the ruble gained vs the dollar sixth session in a row and USDRUB is now only slightly above important support at 72.5 (yesterday -0.5% to 73.3). EURCZK fell at a similar scale and retreated from resistance at 26.5. This was possible thanks to the better-than-expected Czech industrial output data and comment of Czech central banker. Vojtech Benda said that the recent data was pro-inflationary and rate hikes in 2021 could be considered if this trend continues. EURHUF rose above 361 intraday but at the end of the day was near 360.

On the domestic **interest rate market** IRS fell more than the bond yields but the scale of move did not exceed 5bp. The trigger for both curves moving down was a significant strengthening on the core markets (c3-4bp for the 10Y Bund and UST). As a result, next to the widening of the asset swap spreads, we saw the PL-DE bond yield spread rising to 198bp.

German ZEW economic sentiment



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.4426	CZKPLN	0.1685
USDPLN	3.6622	HUFPLN*	1.2277
EURUSD	1.2133	RUBPLN	0.0500
CHFPLN	4.1240	NOKPLN	0.4198
GBPPLN	4.8998	DKKPLN	0.5969
USDCNY	6.5262	SEKPLN	0.4331

*for 100HUF

Last session in the FX market

08.12.2020

	min	max	open	close	fixing
EURPLN	4.448	4.487	4.471	4.450	4.477
USDPLN	3.671	3.710	3.688	3.675	3.691
EURUSD	1.209	1.213	1.212	1.211	-

Interest rate market 08.12.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.06	0
DS0725 (5Y)	0.55	0
DS1030 (10Y)	1.37	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.21	-1	0.21	0	-0.56	0
2L	0.33	0	0.23	1	-0.54	0
3L	0.44	-2	0.28	1	-0.54	-1
4L	0.59	-1	0.36	1	-0.51	-1
5L	0.74	-1	0.46	0	-0.49	-1
8L	1.06	-1	0.76	0	-0.36	-1
10L	1.23	-2	0.92	-1	-0.27	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.09	0
T/N	0.10	0
SW	0.11	0
2W	0.16	-1
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	0.21	1
6x9	0.21	-1
9x12	0.21	-3
3x9	0.23	0
6x12	0.26	0

Measures of fiscal risk

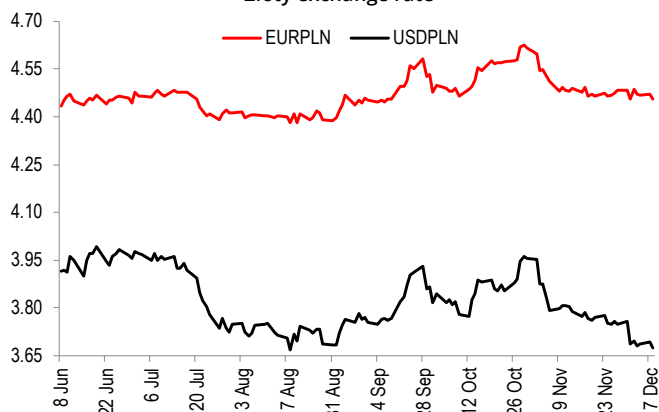
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	198	3
France	9	0	24	0
Hungary	60	0	293	3
Spain	48	0	64	0
Italy	73	-1	116	0
Portugal	28	0	61	0
Ireland	13	0	31	0
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

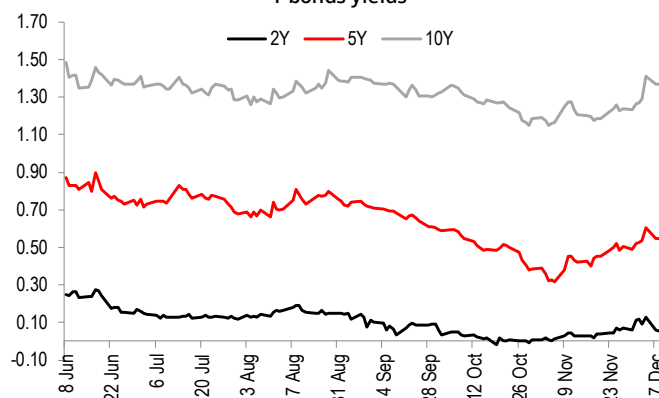
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

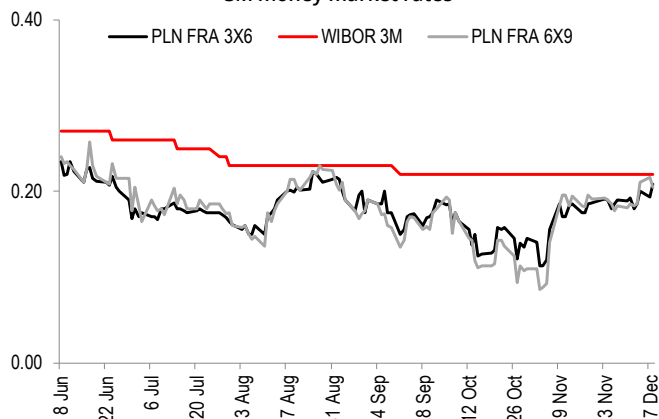
Zloty exchange rate



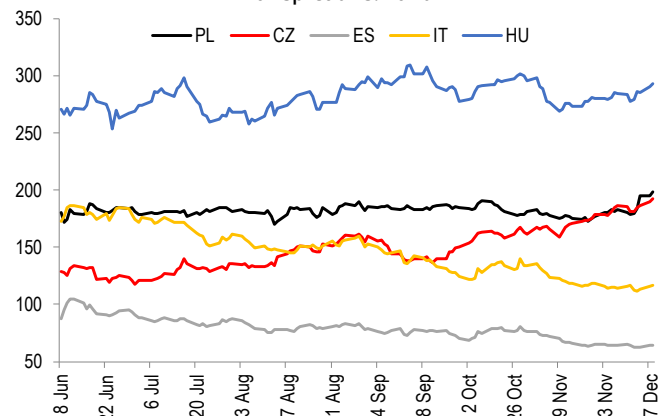
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar								
TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (4 December)								
08:00	DE	Factory Orders	Oct	% m/m	1.4	-	2.9	1.1
09:00	HU	Industrial Production SA	Oct	% y/y	0.5	-	0.6	-1.0
14:30	US	Change in Nonfarm Payrolls	Nov	k	478	-	245	610
14:30	US	Unemployment Rate	Nov	%	6.8	-	6.7	6.9
16:00	US	Durable Goods Orders	Oct	% m/m	1.3	-	1.3	1.3
16:00	US	Factory Orders	Oct	% m/m	0.8	-	1.0	1.3
MONDAY (7 December)								
08:00	DE	Industrial Production SA	Oct	% m/m	0.7	-	3.2	2.3
09:00	CZ	Retail sales	Oct	% y/y	-3.3	-	-0.9	0.4
TUESDAY (8 December)								
09:00	CZ	Industrial Production	Oct	% y/y	-2.2	-	1,3	-1.9
09:00	HU	CPI	Nov	% y/y	2.9	-	2,7	3.0
11:00	EZ	GDP SA	3Q	% y/y	-4.4	-	-4,3	-4.4
11:00	DE	ZEW Survey Current Situation	Dec	pts	-65.5	-	-66,5	-64.3
WEDNESDAY (9 December)								
08:00	DE	Exports SA	Oct	% m/m	1.0	-	0.8	2.3
THURSDAY (10 December)								
09:00	CZ	CPI	Nov	% y/y	3.0	-		2.9
13:45	EZ	ECB Main Refinancing Rate		%	-	-		0.0
14:30	US	CPI	Nov	% m/m	0.1	-		0.0
14:30	US	Initial Jobless Claims	week	k	700	-		712.0
FRIDAY (11 December)								
9:00	HU	Industrial production	Oct	% y/y	-	-		0.6
16:00	US	Michigan index	Dec	pts	76.3	-		76.9

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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