

14 December 2020

Eyeopener

Brexit fears return

Mixed market moods, Brexit fears return

Zloty weaker, bonds gain

EURUSD stable, declines possible

Today current account in Poland

On Friday main stock indexes declined somewhat, as did bond yields on core markets (Bund -3bp to -0.63%, UST -2bp to 0.88%). Friday was a mixed day for EM currencies: some strengthened vs the dollar while other, including the zloty and the rest of CEE fx, weakened. Gold price did not fall towards an important support level but rebounded to US\$1845/oz. Brent oil traded around \$50 per barrel. No EU-UK deal was reached and investors should prepare for a failure of talks meaning a 'hard Brexit' to which financial markets can react negatively. UK PM Boris Johnson said that in the negotiations huge differences remain in key matters. Italy released better-than-expected industrial output data for October. US Michigan index of consumer sentiment beat expectations in December (81.4pts vs 76pts). One year-ahead inflation expectations decreased substantially, from 2.8% to 2.3% y/y.

Germany imposes tougher epidemic restrictions from 16 December to 10 January. Schools, many shops, hairdressing and beauty salons will be closed. This could weigh on demand for goods shipped from Poland.

MPC's Jerzy Kropiwnicki wrote in his blog that he does not see reason for further rate cuts, but in 2H21 he would consider cautious hikes. He shares this view with three other members of the Council (Hardt, Zubelewicz, Gatnar). We think the rates will remain flat in 2021, however.

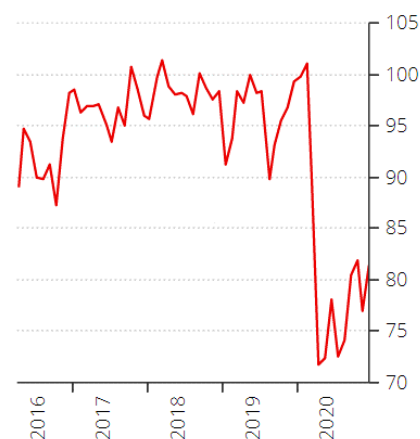
EURUSD declined by only 0.1% on Friday to 1.2110 but intraday it temporarily rose above 1.215 in the morning to later reverse the move. From a two-week perspective, the Friday rise did not go above the tops from Thursday or the previous Friday (1.218) which has to be seen as a signal of the exchange rate being overbought – leading to a higher probability of the pair going down in the nearest future. However, Fed meeting will be a key factor in this respect.

EURPLN started the Friday's session low at 4.427 but later in the day it rose to 4.445. In the coming days, the zloty could be sensitive rather to the global factors than domestic ones. It could be key whether there is an agreement between the UK and the EU, what will be the outcome of the FOMC meeting and how will the CPI and GDP forecasts change.

In case of the other **CEE currencies**, EURHUF was quite stable and closed the week at 354.1 as the upside impulses proved short-lived. December consumer confidence deteriorated further despite low starting point. EURCZK rose to 26.35 from 26.3. The ruble basket was testing important level at 80.0 and expensive oil price and weak dollar may allow USDRUB to go slightly lower after it reached 73.0. Flash 3Q GDP beat forecasts (-3.4% y/y vs -3.6% y/y) but the October trade balance was weaker than expected.

On the domestic interest rate market the front end remained stable while longer tenors witnessed some bigger moved – from -1bp for the 5Y (to 0.49%) to -3bp for the 10Y (to 1.33%). However, the 10Y PL-DE bond yield spread remained high (closed at 197bp). The Ministry of Finance said that after the Friday's bond switch auction **2021 gross borrowing needs** are covered in 14% (according to the budget bill).

Michigan index, pts



Source: Refinitiv, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.4448	CZKPLN	0.1667
USDPLN	3.6609	HUFPLN*	1.2533
EURUSD	1.2146	RUBPLN	0.0503
CHFPLN	4.1149	NOKPLN	0.4184
GBPPLN	4.8864	DKKPLN	0.5951
USDCNY	6.5390	SEKPLN	0.4346

*for 100HUF

Last session in the FX market

11.12.2020

	min	max	open	close	fixing
EURPLN	4.420	4.447	4.426	4.442	4.439
USDPLN	3.636	3.673	3.641	3.668	3.663
EURUSD	1.210	1.216	1.215	1.211	-

Interest rate market 11.12.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.06	-1
DS0725 (5Y)	0.54	-3
DS1030 (10Y)	1.33	-4

IRS on the interbank market**

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.22	0	0.18	-2	-0.57	-1
2L	0.33	-1	0.19	-2	-0.55	0
3L	0.44	-2	0.23	-2	-0.54	0
4L	0.58	-3	0.32	-2	-0.52	-1
5L	0.73	-4	0.41	-2	-0.50	-1
8L	1.03	-5	0.71	-2	-0.39	-1
10L	1.19	-6	0.88	-2	-0.30	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
T/N	0.10	0
SW	0.11	0
2W	0.16	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	0.22	1
9x12	0.24	0
3x9	0.24	0
6x12	0.27	2

Measures of fiscal risk

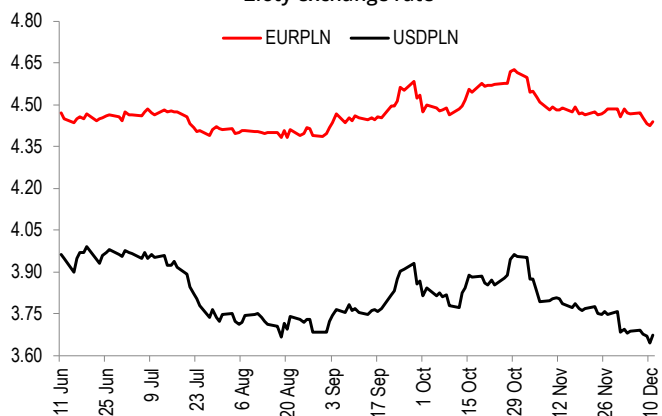
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	197	0
France	9	0	26	1
Hungary	60	0	290	4
Spain	47	0	64	2
Italy	73	0	116	3
Portugal	28	0	61	2
Ireland	13	0	32	2
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

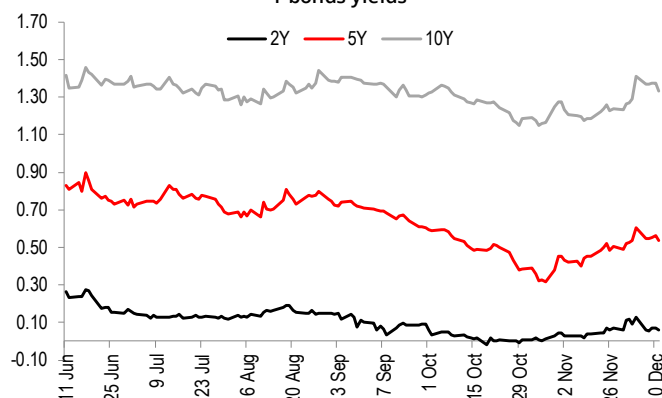
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

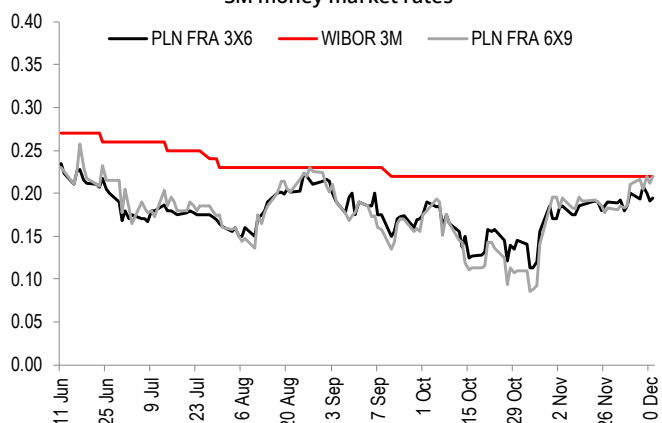
Zloty exchange rate



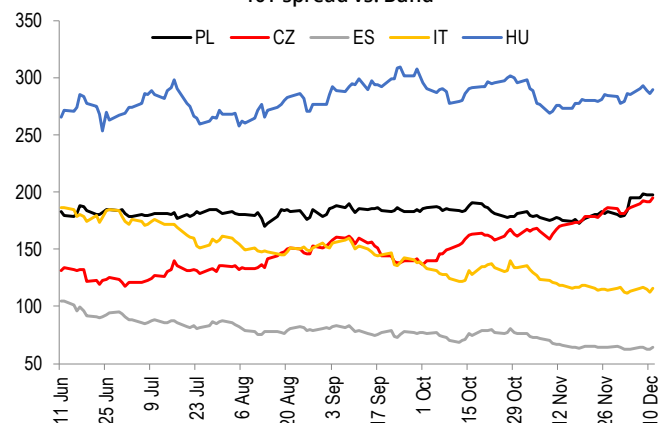
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (11 December)								
08:00	DE	HICP	Nov	% m/m	-0.8		-	-0.8
16:00	US	Michigan index	Dec	pts	76.0	81.4	-	76.9
MONDAY (14 December)								
11:00	EZ	Industrial Production SA	Oct	% m/m	1.8	-	-	-0.4
14:00	PL	Current Account Balance	Oct	€mn	1 235	1 022	-	1 072
14:00	PL	Trade Balance	Oct	€mn	1 114	923	-	1 238
14:00	PL	Exports	Oct	€mn	22 448	21 637	-	21 109
14:00	PL	Imports	Oct	€mn	21 277	20 714	-	19 871
TUESDAY (15 December)								
10:00	PL	CPI	Nov	% y/y	3.0	3.0	-	3.1
14:00	HU	Central Bank Rate Decision	Dec.20	%	0.6	-	-	0.6
15:15	US	Industrial Production	Nov	% m/m	0.5	-	-	1.1
WEDNESDAY (16 December)								
09:30	DE	Germany Manufacturing PMI	Dec	pts	56.5	-	-	57.8
09:30	DE	Markit Germany Services PMI	Dec	pts	44.0	-	-	46.0
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	53.1	-	-	53.8
10:00	EZ	Eurozone Services PMI	Dec	pts	41.5	-	-	41.7
14:00	PL	CPI Core	Nov	% y/y	4.2	4.2	-	4.2
14:30	US	Retail Sales Advance	Nov	% m/m	-0.1	-	-	0.3
20:00	US	FOMC decision	Dec.20		0.25	-	-	0.25
THURSDAY (17 December)								
10:00	PL	Employment in corporate sector	Nov	% y/y	-1.5	-1.2	-	-1.0
10:00	PL	Average Gross Wages	Nov	% y/y	4.7	4.5	-	4.7
11:00	EZ	HICP	Nov	% y/y	-	-	-	-0.3
14:30	US	Initial Jobless Claims		k	-	-	-	853
14:30	US	Housing Starts	Nov	% m/m	-0.3	-	-	4.9
14:30	CZ	Central Bank Rate Decision	Dec.20		0.25	-	-	0.25
14:30	US	Index Philly Fed	Dec		21.7	-	-	26.3
FRIDAY (18 December)								
10:00	DE	IFO Business Climate	Dec	pts	90.3	-	-	90.7
10:00	PL	Sold Industrial Output	Nov	% y/y	3.5	3.8	-	1.0
10:00	PL	PPI	Nov	% y/y	-0.1	-0.5	-	-0.4

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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