

15 December 2020

Eyeopener

Current account above forecasts, CPI today

Hopes for Brexit deal and fiscal package in USA support moods
Major surplus in current account
EURPLN still low, EURUSD still high
Polish 10Y bond trimming spread to Bund
Today Polish CPI, Hungarian central bank decision, US industrial output

The weekend was not enough for the EU and UK negotiators to work out a common stance regarding the bilateral economic relations since January 2021. Both sides decided however to continue talks and to use the time left to negotiate. The market has perceived the decision as a proof that there are still chances for the agreement and since the start of Monday's session the positive mood has predominated. Moreover, positive news came from the USA where the Democrats and Republicans have moved closer as regards the stance on the new fiscal package. As a result, stock market indices have increased, euro kept its gains versus dollar and CEE currencies remained at solid levels reached at the end of last week. US Electoral College has picked Joe Biden for the next US president. He will be sworn in on January 20 after the approval of election results by the Congress on January 6.

Health minister Adam Niedzielski said that another wave of coronavirus may be coming and he will recommend **an extension of pandemic restrictions** to 17 January.

Polish current account registered in October a surplus of EUR2.2bn while market expectations were around EUR1bn. The main positive surprise came from exports which rose by 3.7% y/y. Imports were down 3.5% y/y, still depressed by oil (a drop of over 50% y/y). The services balance saw a surplus of EUR2.0bn – the highest since January, but with both exports and imports growth staying deeply negative. Goods export growth may remain solid in the coming months, while import may keep falling y/y due to weakened domestic demand on tougher restrictions. 12M moving sum of C/A balance rose to 3.5% of GDP.

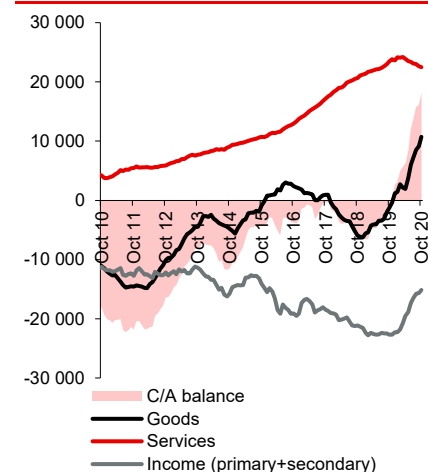
EURUSD was on the rise for nearly entire day and reached a daily peak of 1.218. Only at the very end of the Polish session a fast correction to the opening level of c1.213 was recorded. The exchange rate is holding at its multi-month peak for a seven sessions already and we expect this to continue at least until tomorrow's evening when the FOMC meeting will end.

EURPLN was hovering around 4.44 holding only slightly above the local low of nearly 4.41 reached last week. USDPLN also did not move much trading close to 3.66. Somewhat bigger moves were recorded in case of GBPPLN that rose c1.7% from Friday's low and 0.7% vs Friday's close owing to stronger pound amid hopes for happy-end in Brexit talks. We think EURPLN could remain stable in the coming days awaiting news about the UK-EU talks.

In case of the other CEE currencies, EURHUF and EURCZK were trading near their Friday's closing levels at 26.3 and 353, respectively. USDRUB fell to 72.7 in the first part of the day nearing 72.0 support but later in the day it rebounded to 73.35. Today the Hungarian central bank will announce decision on the interest rates. We do not expect the outcome of the meeting to have much impact on the forint.

On the domestic interest rate market IRS and bond yields fell 2-4bp catching up Bunds and Treasuries that gained last week after the ECB meeting. The Polish 10Y bond yield fell to 1.30% vs 1.40% in early December. At the start of this week, core bond yields were stable which allowed the 10Y PL-DE bond yield spread to fall to 193bp from c200bp last week. The domestic asset swap spread narrowed as well. Yesterday Polish Development Fund (PFR) issued bonds worth PLN2.5bn.

Poland balance of payments (€mn)



Source: NBP, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.4328	CZKPLN	0.1669
USDPLN	3.6517	HUFPLN*	1.2423
EURUSD	1.2140	RUBPLN	0.0498
CHFPLN	4.1102	NOKPLN	0.4184
GBPPLN	4.8631	DKKPLN	0.5951
USDCNY	6.5503	SEKPLN	0.4348

*for 100HUF

Last session in the FX market

14.12.2020

	min	max	open	close	fixing
EURPLN	4.427	4.451	4.447	4.442	ended at 08:34:15
USDPLN	3.639	3.667	3.662	3.657	ended at 08:34:15
EURUSD	1.212	1.218	1.214	1.214	-

Interest rate market 14.12.2020

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**

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

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.10	0
SW	0.11	0
2W	0.16	0
1M	0.20	0
3M	0.21	-1
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

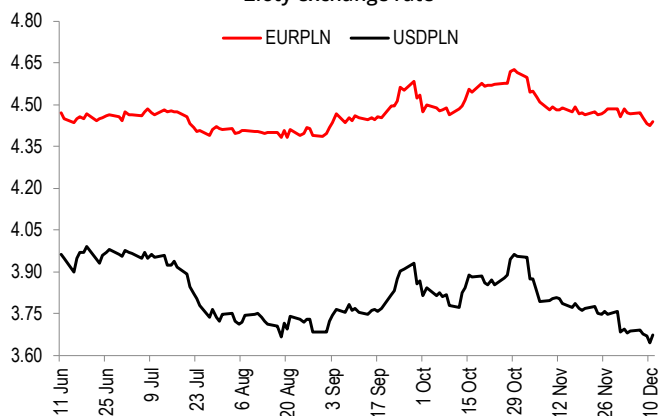
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	197
France	9	26
Hungary	60	290
Spain	47	64
Italy	73	116
Portugal	28	61
Ireland	13	32
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

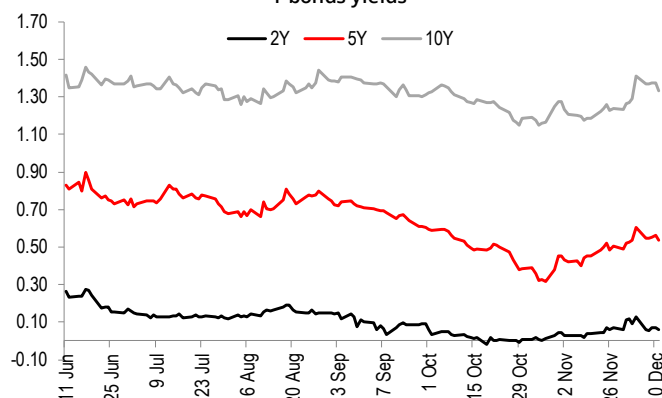
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

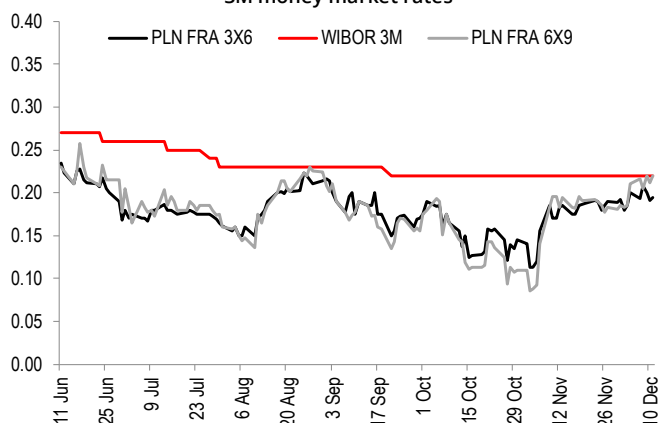
Zloty exchange rate



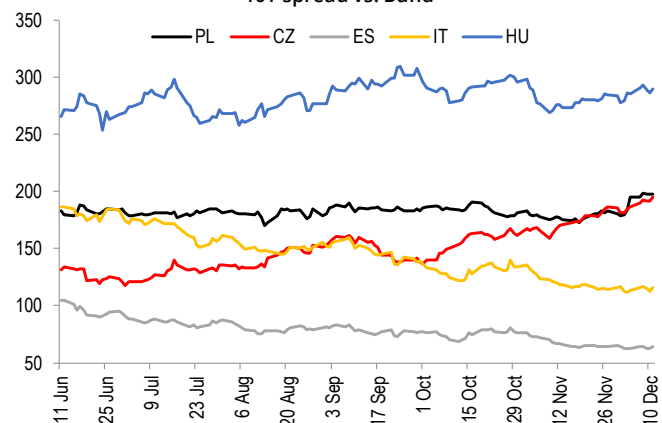
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (11 December)								
08:00	DE	HICP	Nov	% m/m	-0.8	-	-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	-	2.1	-0.4
14:00	PL	Current Account Balance	Oct	€mn	1 235	1 022	2 241	1 072
14:00	PL	Trade Balance	Oct	€mn	1 114	848	1 732	1 238
14:00	PL	Exports	Oct	€mn	22 448	22 152	22 965	21 109
14:00	PL	Imports	Oct	€mn	21 277	21 304	21 233	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		%	0.6	-		0.6
15:15	US	Industrial Production	Nov	% m/m	0.5	-		1.1
WEDNESDAY (16 December)								
09:30	DE	Flash Germany Manufacturing PMI	Dec	pts	56.5	-		57.8
09:30	DE	Flash Markit Germany Services PMI	Dec	pts	44.0	-		46.0
10:00	EZ	Flash Eurozone Manufacturing PMI	Dec	pts	53.1	-		53.8
10:00	EZ	Flash 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		%	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	week	k	-	-		853
14:30	US	Housing Starts	Nov	% m/m	-0.3	-		4.9
14:30	CZ	Central Bank Rate Decision		%	0.25	-		0.25
14:30	US	Index Philly Fed	Dec	pts	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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