

22 December 2020

Eyeopener

Merry Christmas!

Markets unsettled at the start of the week
 EURPLN close to 4.50, EURUSD lower for a short time
 Domestic bonds strengthened
 Today important US data

Detection of the new coronavirus mutation in the UK and the lack of Brexit deal dominated the fact that the US has agreed a new fiscal package. As a result, risk aversion spurred at the start of the week which was positive for the dollar and core bonds, while the EM currencies lost. However, during the day, the greenback started to give up its initial gains which was supportive for the zloty and its CEE peers and bonds corrected part of the earlier drop.

Polish **retail sales** declined by 5.3%y/y in real terms in November when new restrictions regarding trade were in place, down from -2.3%. The market expected to see -7.4% while we forecasted -8.1%. Consumers might have front-loaded Christmas expenses due to concerns that deeper lockdown would be introduced. Construction output in November declined by 4.9% y/y, slightly less than we had expected (-5.5% y/y). Construction sector activity remains subdued in 4Q, which probably corresponds with the stagnant investment activity. Find more in our [Economic Comment](#).

EURUSD fell to 1.213 in the first half of the session amid high risk aversion but later in the day the euro was recovering and the exchange rate was back above 1.22 at the end of the day. The unsolved Brexit case could trigger more volatility of EURUSD in the year-end period.

EURPLN rose temporarily to nearly 4.53 and USDPLN to 3.73 but this time this was due to the sharp deterioration of the global market mood. When the dollar gave up its earlier gains, the zloty managed to neutralize roughly half of the losses seen vs the two major currencies – EURPLN pulled back to 4.50 and USDPLN to 3.68. Polish FX market was usually calm in the year-end period but since we still do not know how Brexit will be managed, volatility may remain high in the coming days.

As for the other **CEE currencies** USDRUB rebounded by more than 2.5% to 75.05 due to the appreciation of the dollar and a decline of Brent oil price by more than 3%. EURHUF went up by 0.8%, temporarily going above 361. EURCZK rose to 26.4 at first, but by the end of the day it reversed more than a half of this rise and closed at 26.2.

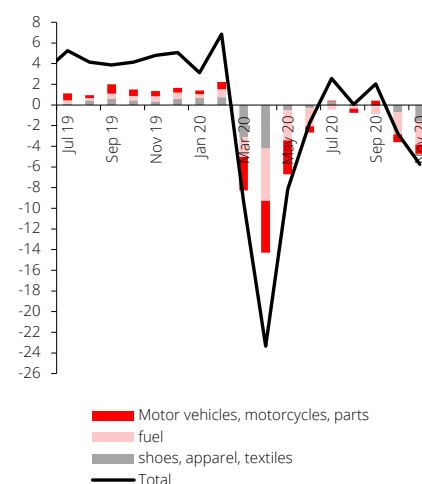
On the domestic **interest rate market** yields and IRS rates declined by 5-7bp thanks to lower yields of Bunds and Treasuries early in the session. In the following hours the domestic debt retained gains, while bonds on core markets corrected almost the whole move. As a result, 10Y yield spread between Poland and Germany dropped to 181 bp.

Please be advised that today's Eyeopener will be the last for 2020.

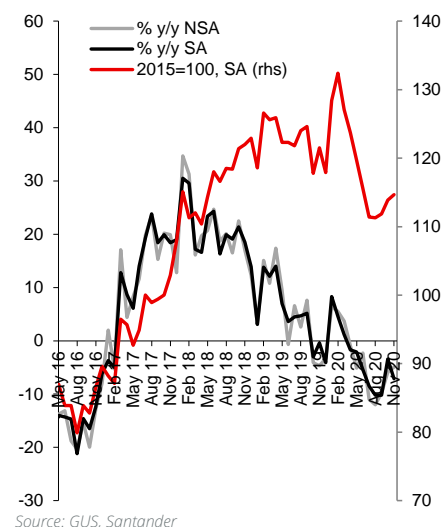
We will resume publication on January 4, 2021.

We wish our readers Marry Christmas and a prosperous New Year!

Real retail sales and contribution of selected items, % y/y



Construction output



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FX market

Today's opening

EURPLN	4.4924	CZKPLN	0.1708
USDPLN	3.6770	HUFPLN*	1.2346
EURUSD	1.2218	RUBPLN	0.0489
CHFPLN	4.1439	NOKPLN	0.4231
GBPPLN	4.9303	DKKPLN	0.6037
USDCNY	6.5517	SEKPLN	0.4444

*for 100HUF

Last session in the FX market

21.12.2020

	min	max	open	close	fixing
EURPLN	4.481	4.525	4.481	4.492	4.515
USDPLN	3.667	3.730	3.677	3.672	3.708
EURUSD	1.213	1.224	1.219	1.223	-

Interest rate market 21.12.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.11	2
DS0725 (5Y)	0.47	-3
DS1030 (10Y)	1.23	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.21	-1	0.20	0	-0.54	0
2L	0.31	-3	0.21	2	-0.52	0
3L	0.43	-3	0.25	0	-0.51	0
4L	0.58	-3	0.34	0	-0.49	0
5L	0.72	-4	0.44	0	-0.46	0
8L	1.02	-4	0.76	-1	-0.35	0
10L	1.18	-4	0.93	-1	-0.26	0

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.10	0
SW	0.11	0
2W	0.17	1
1M	0.20	0
3M	0.21	0
6M	0.25	0
1Y	0.25	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.19	-1
3x6	0.17	-2
6x9	0.18	-4
9x12	0.20	-4
3x9	0.21	-2
6x12	0.22	-4

Measures of fiscal risk

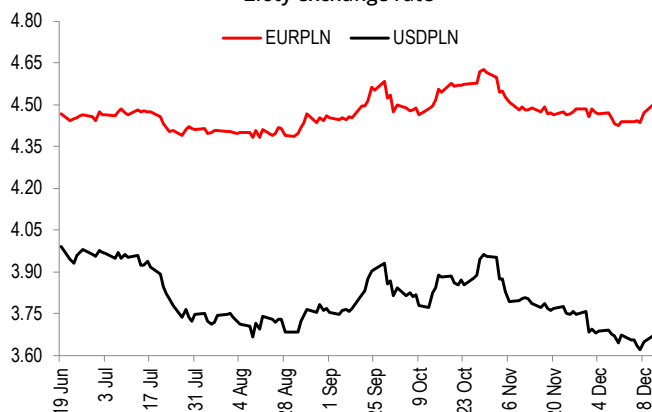
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	181	-3
France	9	0	24	1
Hungary	64	4	275	0
Spain	46	0	64	2
Italy	70	2	113	2
Portugal	28	0	63	1
Ireland	13	0	30	1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

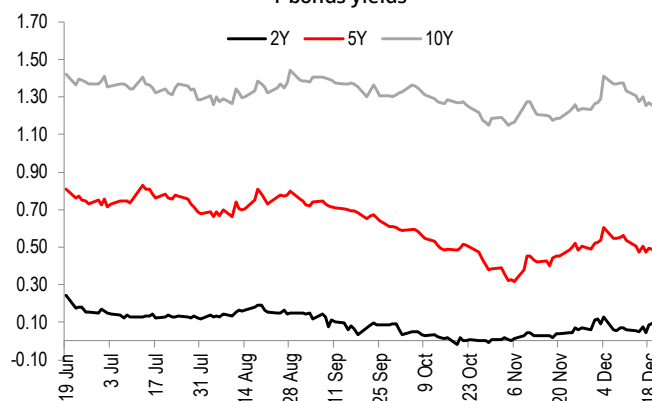
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

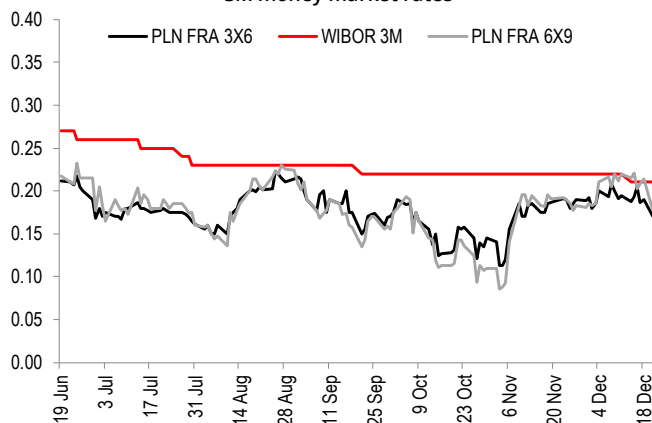
Zloty exchange rate



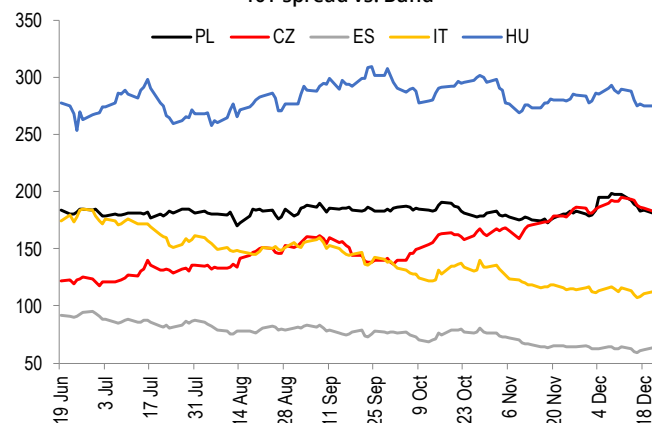
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (18 December)								
10:00	DE	IFO Business Climate	Dec	pts	90.3	-	92.1	90.9
10:00	PL	Sold Industrial Output	Nov	% y/y	3.5	3.8	5.4	1.0
10:00	PL	PPI	Nov	% y/y	-0.1	0.0	-0.2	-0.4
MONDAY (21 December)								
10:00	PL	Construction Output	Nov	% y/y	-	-5.5	-5.3	-5.9
10:00	PL	Retail Sales Real	Nov	% y/y	-	-8.1	-4.9	-2.3
TUESDAY (22 December)								
14:00	PL	Money Supply M3	Nov	% y/y	16.7	15.1		17.0
14:30	US	GDP Annualized	3Q	% q/q	33.1	-		33.1
16:00	US	Consumer Conference Board	Dec	pts	-	-		96.1
16:00	US	Existing Home Sales	Nov	% m/m	-1.8	-		4.3
WEDNESDAY (23 December)								
10:00	PL	Unemployment Rate	Nov	%	6.2	6.1		6.1
14:30	US	Personal Spending	Nov	% m/m	0.3	-		0.5
14:30	US	Personal Income	Nov	% m/m	-0.3	-		-0.7
14:30	US	PCE Deflator SA	Nov	% m/m	0.0	-		0.0
14:30	US	Durable Goods Orders	Nov	% m/m	0.7	-		1.3
14:30	US	Initial Jobless Claims	week	k	-	-		885
16:00	US	Michigan index	Dec	pts	79.0	-		81.4
16:00	US	New Home Sales	Nov	% m/m	-1.4	-		-0.3
THURSDAY (24 December)								
No important data releases								
WEDNESDAY (30 December)								
16:00	US	Pending Home Sales	Nov	% m/m	-	-		-1.1
MONDAY (4 January)								
09:00	PL	Poland Manufacturing PMI	Dec	pts	-	51.1		50.8
09:00	HU	Industrial Production	Nov	% y/y	-	-		0.6
09:30	DE	Germany Manufacturing PMI	Dec	pts	-	-		58.6
10:00	PL	Flash CPI (date still unconfirmed)	Dec	% y/y	-	2.6		3.0
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	-	-		53.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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