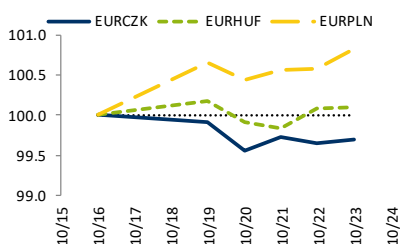




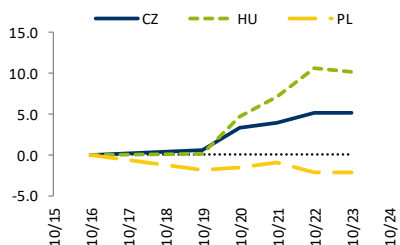
Friday, 23 October 2020

## Forex markets (index)



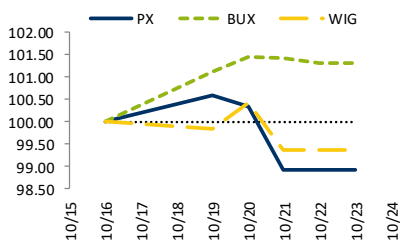
|        | LAST  | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 27.21 | 27.19    | 0.06       |
| EURHUF | 364.8 | 364.7    | 0.02       |
| EURPLN | 4.584 | 4.572    | 0.25       |

## Gov. bonds 10 Y (bps change)



|          | LAST  | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 1.016 | 1.016    | 0.0          |
| HUGB 10Y | 2.33  | 2.33     | -0.2         |
| PLGB 10Y | 1.26  | 1.26     | 0.0          |

## Equity indices (index)



|     | LAST  | PREVIOUS | CHANGE (%) |
|-----|-------|----------|------------|
| PX  | 857.8 | 857.8    | 0.00       |
| BUX | 33655 | 33655    | 0.00       |
| WIG | 47910 | 47910    | 0.00       |

## Regional insights

## The zloty must fight the COVID-19 again

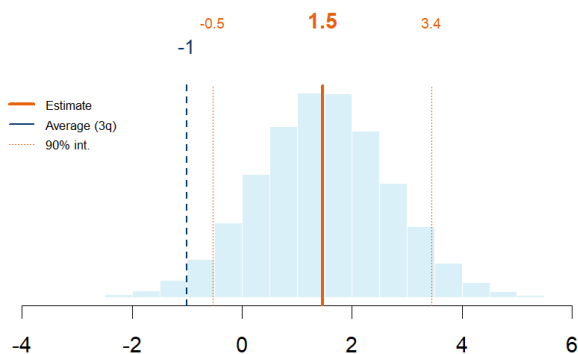
The Polish zloty is under pressure. The EUR/PLN pair has even already been very close to the 4.60 level - so, it has been attacking this year's highs achieved during the first coronavirus wave.

Seen purely from the position of Polish macroeconomic fundamentals, the zloty should not have any reason to weaken, as the Polish economy shows unexpectedly positive numbers, according to the latest data. This is because the August and September strong retail sales and industrial production imply that the year-on-year economic growth could be even above zero (see the chart below), which is a result that no European economy has come close to. At the same time, however, Poland's current account of the balance of payments shows a record surplus this year.

However, the forex market is forward looking. And this perspective plainly reveals that Poland has been hit very hard by the second wave of the epidemic and that the government will have to respond to it by introducing tougher quarantine measures (by even more strict than those announced yesterday). Yesterday, the increase in new infections set a new daily record (12107) and the reproductive epidemiological number R is still very high (1.4). So, if the government does not want to risk overwhelming the health care system, it will have to respond by restricting economic activity and contacts among people.

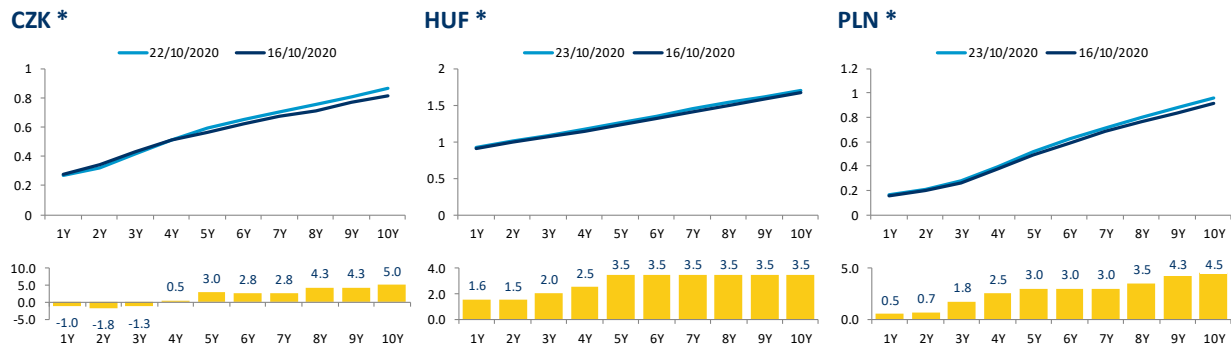
Of course, the situation is closely monitored by the central bank, which has strongly supported the government with its relaxed policy, while emphasizing in its recent comment that the macroeconomic situation implies a weaker currency. Still, the NBP has not available the current coronavirus statistics which will make the Polish economy worse again in the fourth quarter. And this, of course, will require further easing of the monetary conditions, which the weakening zloty can partially deliver. Hence, in the coming days and weeks, let's therefore prepare for its further zloty's weakness, which may push the other regional currencies under pressure too.

## Nowcast of the Polish GDP for 2020Q3 (yoy change in %)



Estimate for 07/2020

## Interest-rate Swap Curves



\* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points (against previous Friday).

## Calendar

| Country | Date  | Time  | Indicator         | Period   | Forecast   |     | Actual |     | Consensus |     | Previous |        |
|---------|-------|-------|-------------------|----------|------------|-----|--------|-----|-----------|-----|----------|--------|
|         |       |       |                   |          | m/m        | y/y | m/m    | y/y | m/m       | y/y | m/m      | y/y    |
| PL      | 10/23 | 10:00 | Unemployment rate | %        | 09/01/2020 |     |        |     | 6.1       |     | 6.1      |        |
| HU      | 10/29 | 9:00  | Unemployment rate | %        | 09/01/2020 |     |        |     |           |     | 5        |        |
| CZ      | 10/30 | 9:00  | GDP               | %        | 3Q/2020 *A |     |        |     |           |     | -8.7     | -10.9  |
| HU      | 10/30 | 9:00  | Wages             | %, y td. | 08/01/2020 |     |        |     |           |     |          | 10.8   |
| HU      | 10/30 | 9:00  | Trade balance     | EUR M    | 08/2020 *F |     |        |     |           |     |          | 251    |
| CZ      | 10/30 | 10:00 | Money supply M2   | %        | 09/01/2020 |     |        |     |           |     |          | 9.8    |
| PL      | 10/30 | 10:00 | CPI               | %        | 10/2020 *P |     |        |     |           |     | 0.20     | 3.2    |
| PL      | 10/30 | 15:00 | Budget balance    | PLN M    | 09/01/2020 |     |        |     |           |     |          | -13299 |

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