

5 January 2021

Eyeopener

Polish PMI up

Low volatility at the start of the year
 Next comments of the MPC members
 Zloty stable, NBP did not intervene
 Polish yields and IRS flat, FRA price 10bp rate cut until March
 Today US manufacturing ISM

In the first trading day of 2021 equities in Europe gained, just like the gold. Bond yields in core markets were stable (10Y UST at 0.92%) or slightly lower (10Y Bund -0.60%). Oil price did not hold the morning gain even though at the OPEC+ meeting there was no decision to increase oil production since February. December manufacturing PMIs were released in many countries and most of them recorded improvement vs November, and in those where the index has decreased slightly, it remained at decent levels above the 50pts threshold. Today in the morning we saw much better than expected retail sales from Germany, which may help to improve global sentiment after deterioration that took place during the US session.

On Monday, not long after previous comments from end of year, the **MPC member Eryk Łon** spoke again. He said that "if necessary" one should not hesitate to cut rates further, but added that the base scenario assumes the stabilization of rates at the current levels. In his opinion, the market should be prepared for further FX intervention by NBP. Another MPC member **Jerzy Kropiwnicki** said that NBP might support growth while acting on the FX rates which would support exports. In his opinion the budget deficit is not a cause for concern and could have been larger, if needed.

Polish manufacturing PMI rose in December to 51.7 pts after holding for three months at 50.8. This is the second strongest reading of the last 2.5 years (only Jul'20 was better). The December print exceeded market expectations at 51.3 pts. The monthly rise of PMI was caused by stronger new orders, mostly from abroad (second highest level of new export orders index in the last 3 years). At the same time logistics issues and weakened supply of components sent the output index below 50pts while sending input prices measure to the highest level in almost 10 years. High purchasing activity and rising expected output and employment index suggest solid performance of Polish industry in the months to come.

EURUSD rebounded by 0.8% erasing the late 2020 decline in full and closed at 1.23 breaking of which might mean further dollar weakness. So far the exchange rate remains relatively stable and perhaps only macro data in the latter part of the week might help to initiate a new momentum.

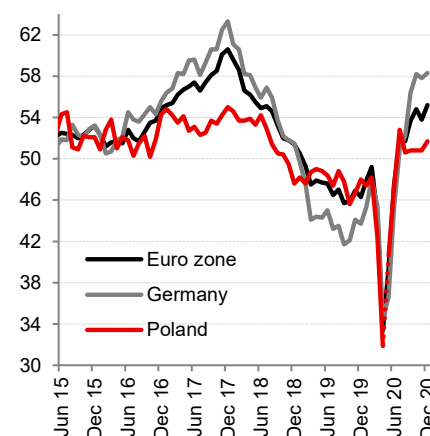
EURPLN was moving on Monday in a tight range around 4.55. With many investors still keeping off the market after the NBP fx interventions from late 2020, liquidity is very low and fx moves seem chaotic. Despite low realised volatility, fx options prices with short tenors are going up, which may be a reflection of investors' uncertainty regarding the 13 January MPC meeting outcome.

In case of other CEE currencies, EURHUF started the year with a meaningful decline by 0.8% to 364.1 despite the December manufacturing PMI (51.5 pts) coming below the previous reading (51.9) and market expectations. EURCZK also fell – by 0.5% to 26.11, Czech manufacturing PMI rose as high as 57.0 pts from 53.4 pts. USDRUB dropped by 0.9% to 73.6 breaching the 200d moving average (74.11) which is a positive signal for the rouble in the short term.

On the domestic interest rate market, short-term FRAs price in a small probability of a rate cut: a cut by 10bp is seen in the price of FRA3x6 (0.11%) while the shorter FRA1x4 includes a half of the move (0.15%). 3M Wibor is 21bp. IRS contracts, having fell substantially in the end of 2020, on Monday stabilised: 5Y at 0.59%, 10Y at 1.07%. Government bonds were also stable, 10Y at 1.22%.

The Ministry of Finance said that on the 7 January auction PLN4-6bn of OK0423, PS0425, DS1030, WZ1126 and WZ1131 will be offered.

Manufacturing PMIs



Source: Markit, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 22 534 18 87
Marcin Łuziński +48 22 534 18 85
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 19 23
Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4.5427	CZKPLN	0.1727
USDPLN	3.7025	HUFPLN*	1.2599
EURUSD	1.2267	RUBPLN	0.0498
CHFPLN	4.2061	NOKPLN	0.4332
GBPPLN	5.0348	DKKPLN	0.6119
USDCNY	6.4584	SEKPLN	0.4503

*for 100HUF

Last session in the FX market

1/4/2021

	min	max	open	close	fixing
EURPLN	4.523	4.555	4.555	4.550	4.549
USDPLN	3.687	3.720	3.716	3.715	3.700
EURUSD	1.224	1.231	1.225	1.225	-

Interest rate market 1/4/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.07	-3
DS0725 (5Y)	0.44	-3
DS1030 (10Y)	1.22	-3

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.15	0	-1
2L	0.21	0	-2
3L	0.32	-1	-3
4L	0.45	-2	-3
5L	0.59	-2	-3
8L	0.91	-2	-3
10L	1.07	-2	-3

WIBOR rates

Term	%	Change (bps)
O/N	0.10	-1
T/N	0.10	0
SW	0.12	0
2W	0.17	0
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	0.15	-1
3x6	0.12	-4
6x9	0.12	-3
9x12	0.13	-1
3x9	0.16	-1
6x12	0.15	-5

Measures of fiscal risk

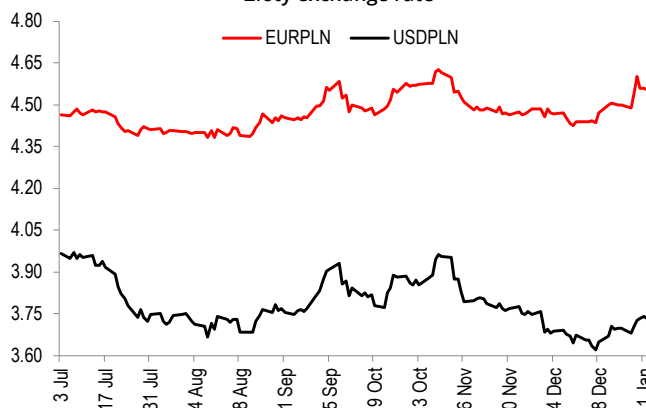
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	182
France	9	24
Hungary	64	267
Spain	45	63
Italy	68	112
Portugal	28	62
Ireland	13	28
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

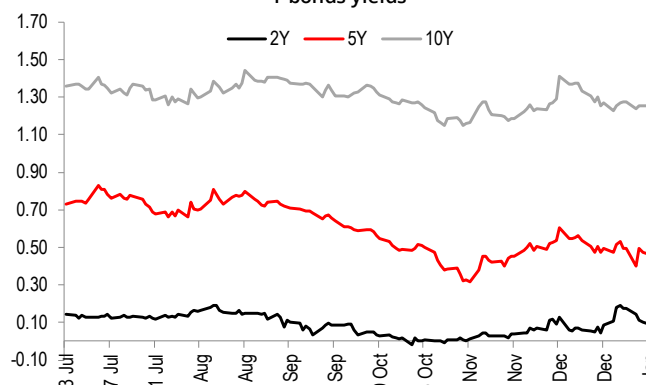
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

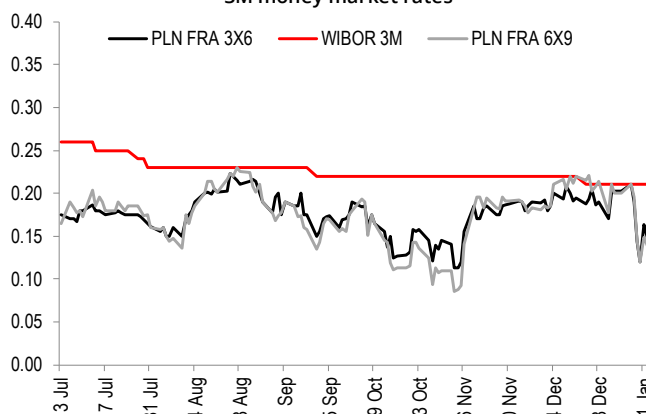
Zloty exchange rate



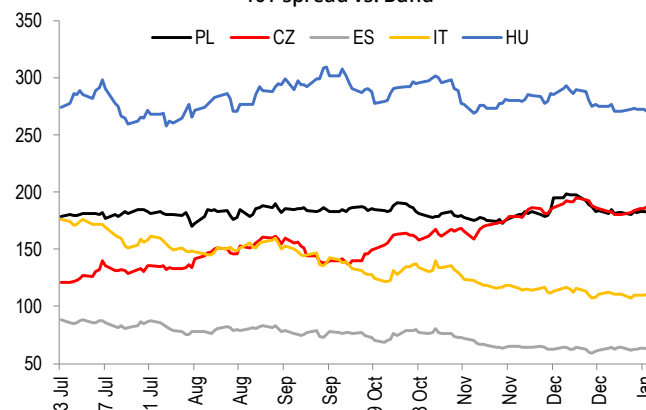
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
MONDAY (4 January)								
09:00	PL	Poland Manufacturing PMI	Dec	pts	51.3	51.2	51.7	50.8
09:55	DE	Germany Manufacturing PMI	Dec	pts	58.6	-	58.3	58.6
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	55.5	-	55.2	55.5
TUESDAY (5 January)								
08:00	DE	Retail sales	Nov	% m/m	-2.0	-	1.9	2.6
16:00	US	ISM manufacturing	Dec	pts	56.5	-		57.5
WEDNESDAY (6 January)								
02:45	CN	Caixin China PMI Services	Dec	pts	58.0	-		57.8
09:55	DE	Markit Germany Services PMI	Dec	pts	47.7	-		47.7
10:00	EZ	Eurozone Services PMI	Dec	pts	47.3	-		47.3
14:00	DE	HICP	Dec	% m/m	0.7	-		-1.0
14:15	US	ADP report	Dec	k	75	-		307
16:00	US	Durable Goods Orders	Nov	% m/m	-	-		0.9
16:00	US	Factory Orders	Nov	% m/m	0.75	-		1.0
20:00	US	FOMC Meeting Minutes						
THURSDAY (7 January)								
08:00	DE	Factory Orders	Nov	% m/m	-1.2	-		2.9
10:00	PL	Flash CPI	Dec	% y/y	2.6	2.6		3.0
11:00	EZ	Flash HICP	Dec	% y/y	-0.2	-		-0.3
11:00	EZ	Retail Sales	Nov	% m/m	-3.0	-		1.5
11:00	EZ	ESI	Dec	pct.	89.5	-		87.6
14:30	US	Initial Jobless Claims	week	k	835	-		803
16:00	US	ISM services	Dec	pts	54.5	-		55.9
FRIDAY (8 January)								
08:00	DE	Exports SA	Nov	% m/m	1.0	-		0.9
08:00	DE	Industrial Production SA	Nov	% m/m	0.7	-		3.2
09:00	CZ	GDP SA	3Q	% y/y	-5.0	-		-5.0
09:00	CZ	Industrial Production	Nov	% y/y	-0.3	-		-1.3
09:00	HU	Industrial Production SA	Nov	% y/y	-	-		2.69
11:00	EZ	Unemployment Rate	Nov	%	8.5	-		8.4
14:30	US	Change in Nonfarm Payrolls	Dec	k	85	-		245
14:30	US	Unemployment Rate	Dec	%	6.8	-		6.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division. Economic Analysis Department. al. Jana Pawła II 17. 00-854 Warsaw. Poland. phone +48 22 534 18 87. email ekonomia@santander.pl. http://www.santander.pl.