

7 January 2021

Eyeopener

Democrats take the full power

Positive mood on the equity market prevails
Stable rates base scenario for NBP governor
EURPLN slowly moving towards 4.50
Yields up on the core markets
Today inflation in Poland and Eurozone as well as US non-manufacturing ISM

On Tuesday trading was still calm, but on Wednesday the markets were agitated by US Senate by-elections in Georgia. Republicans lost their 2-vote advantage over Democrats in the chamber. This means that Joe Biden and his party will have more freedom to change the law, controlling the House of Representatives and with Senate's equal number of votes the vice-president has the casting vote. In a response to the change of political balance, the yield of US 10Y bond rose sharply by 12bp to 1.06%, the highest since March and stock indexes went up. OPEC+ summit ended with an agreement that Saudi Arabia will lower oil output by 1mn barrels per day in February and March. As a result the price of Brent oil rose to US\$54.6/barrel (+7% year-to-date). So far the high numbers of new Covid-19 cases in the UK (which introduced full lockdown) and extension of restrictions in the German economy has not been negatively affecting the market sentiment.

In the last two days important data has been released: the reading of US ISM industrial sentiment index was strong (60.7 pts) while services PMIs in the USA, China and Australia declined somewhat, but are still at very good levels. The December ADP reading in the USA contrasted with these positive indicators (the first fall of employment measure in 8 months). Job losses were recorded mostly in retail sales and recreation sectors. Germany and Singapore saw substantial improvement in retail sales growth in November.

The full interview with **NBP president Adam Glapiński**, released eventually on Tuesday, suggests that stabilisation of interest rates remains a base scenario and rate cuts in 1Q could not be ruled out „if there are factors negatively affecting the Polish economy, increasing risk of inflation falling below the target”, like third epidemic wave in the winter. However, even if this is the case, then the cut would be probable in March at the earliest, when new NBP forecasts are available. Glapiński stressed the negative effect of PLN appreciation on exports (but did not address any specific levels) and pointed there is “room for possible decisive central bank interventions”, which we read as a readiness to further interventions should the zloty appreciate. MPC's **Grażyna Ancyparowicz** was a bit more precise and stated that optimal EURPLN falls in 4.40-4.50 range (for us it is quite surprising given that EURPLN was in that range when the NBP intervened). She also said that the interest rate cut is not sure and could take place should the zloty “appreciate dangerously”.

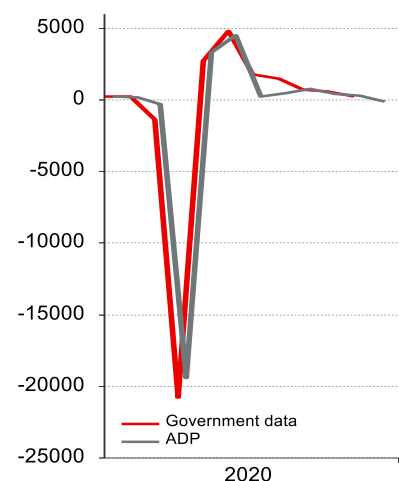
Over last two days **EURUSD** climbed to 1.235 from 1.125. So far the marked rise of US bonds did not support the dollar and today at the start of the session the rate is slightly above 1.23.

EURPLN in the last two days moved towards 4.50, while the publication of interview with mr. Glapiński has not impacted the exchange rate. On Tuesday and Wednesday the NBP has not intervened in the FX market. Today on the open the EURPLN oscillates slightly above 4.51.

As to the other regional CEE currencies EURHUF continued declines for the 4th day in a row and the 1.4% YTD decline took rate to 358.3. The unemployment rate in Hungary increased to 4.4% while the wage dynamics remained at 8.1% y/y. EURCZK increased by 0.2% to 26.2. USDRUB despite the elevated volatility in the end declined by 0.3% over the 2-day period to 73.7.

On the Polish fixed income market, the Tuesday was relatively quiet. IRS declined by 1-2bp i.e. 5Y to 0.57%, 10Y to 1.06%. Bonds were stable for the most part of the day and only towards the Tuesday close have sellers emerged and the 10Y yields increased 2bp to 1.24%. On Wednesday, the Polish market was closed for a holiday however core market yields increased by around 10bp which suggest that on Thursday Polish bonds might decline in prices noticeably.

Monthly change of US nonfarm payrolls (k)



Source: Datastream, Santander

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FX market

Today's opening

EURPLN	4.5135	CZKPLN	0.1716
USDPLN	3.6664	HUFPLN*	1.2573
EURUSD	1.2317	RUBPLN	0.0498
CHFPLN	4.1669	NOKPLN	0.4358
GBPPLN	4.9765	DKKPLN	0.6119
USDCNY	6.4548	SEKPLN	0.4484

*for 100HUF

Last session in the FX market

1/6/2021

	min	max	open	close	fixing
EURPLN	4.504	4.537	4.529	4.523	4.545
USDPLN	3.650	3.690	3.682	3.680	3.703
EURUSD	1.226	1.235	1.230	1.229	-

Interest rate market 1/6/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.08	0
DS0725 (5Y)	0.44	0
DS1030 (10Y)	1.25	0

IRS on the interbank market**

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.16	1	0.19	1	-0.56	0
2L	0.21	0	0.21	2	-0.54	0
3L	0.31	0	0.26	2	-0.52	1
4L	0.44	0	0.37	5	-0.50	1
5L	0.58	0	0.48	4	-0.47	1
8L	0.90	0	0.84	7	-0.35	1
10L	1.07	0	1.01	7	-0.26	1

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.10	0
SW	0.12	0
2W	0.17	0
1M	0.19	-1
3M	0.21	0
6M	0.25	0
1Y	0.25	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.15	0
3x6	0.17	5
6x9	0.16	3
9x12	0.15	3
3x9	0.17	0
6x12	0.20	0

Measures of fiscal risk

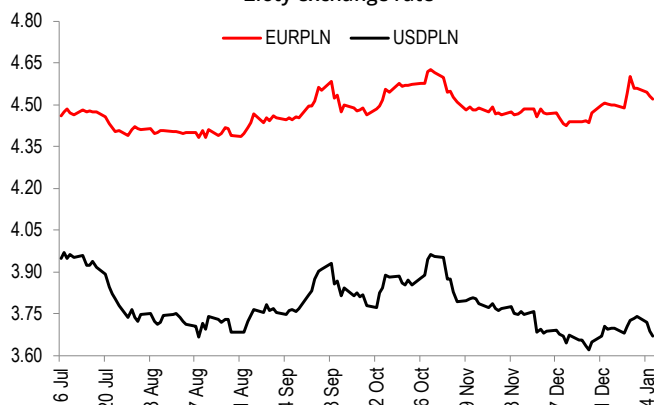
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	179	-4
France	9	0	23	-1
Hungary	64	0	262	-2
Spain	43	-1	60	-1
Italy	68	0	109	-3
Portugal	28	0	58	-1
Ireland	13	0	23	-3
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

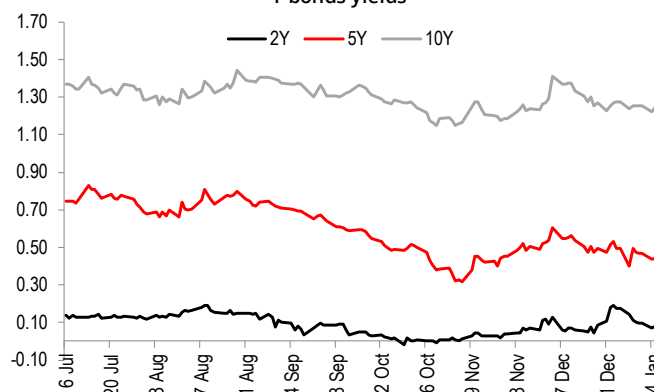
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

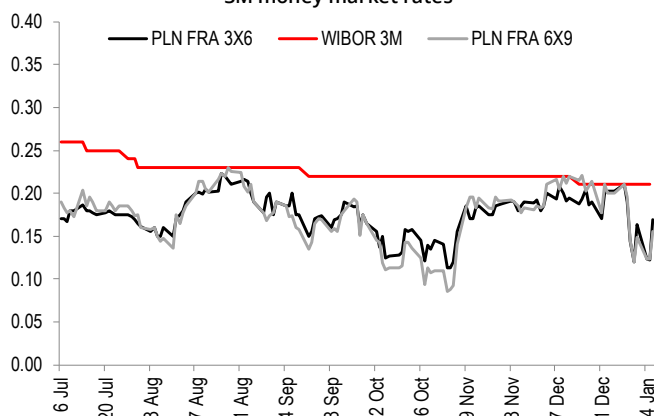
Zloty exchange rate



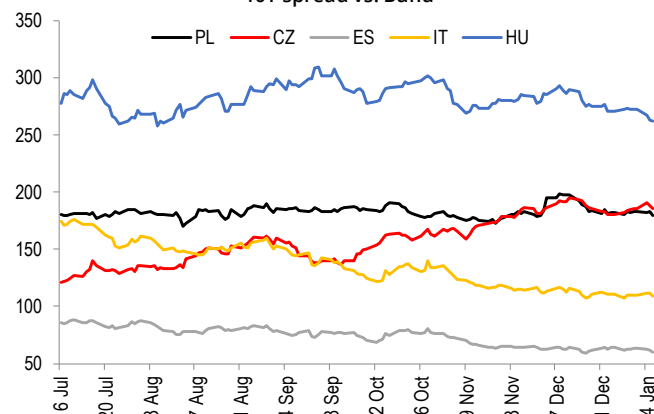
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
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	56.8	-	60.7	57.5
WEDNESDAY (6 January)								
02:45	CN	Caixin China PMI Services	Dec	pts	58.0	-	56.3	57.8
09:55	DE	Markit Germany Services PMI	Dec	pts	47.7	-	47.0	47.7
10:00	EZ	Eurozone Services PMI	Dec	pts	47.3	-	46.4	47.3
14:00	DE	HICP	Dec	% m/m	0.7	-	0.6	-1.0
14:15	US	ADP report	Dec	k	75	-	-123	304
16:00	US	Durable Goods Orders	Nov	% m/m	0.9	-	1.0	0.9
16:00	US	Factory Orders	Nov	% m/m	0.7	-	1.0	1.0
20:00	US	FOMC Meeting Minutes						
THURSDAY (7 January)								
08:00	DE	Factory Orders	Nov	% m/m	-1.2	-	2.3	3.3
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

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