

11 January 2021

# Eyeopener

## Slow start of the week

American politics supportive for market optimism  
 EURPLN stable, EURUSD slightly lower  
 Polish debt stable despite higher yields on the core markets  
 Today no significant macroeconomic data

On Friday the market was still under the influence of change of power in the USA. The Democrats took over control over Senate in a run-off elections, which caused that markets started aggressively pricing-in an increase of fiscal support for the US economy. It was particularly visible in the US bond market behaviour, as their yields started rising and the trend was maintained also on Friday. 10Y bond yield reached 1.10%, its highest level since March. Rising attractiveness of US bonds was strengthening dollar, although on Friday it gained less than on Thursday. The trend was not reversed even by the weaker than expected monthly data from the US labour market – December saw a decrease in non-farm payrolls for the first time since April.

According to the **Ministry of Labour**, the registered unemployment rate climbed in December by 0.1pp to 6.2%. While the change in percentage points is the same as in the previous years, the nominal rise was a bit higher (21.2k vs 16.4 on average in 2017-2019). We are expecting the unemployment rate to average 6.3% in 2021 vs 5.9% in 2020. The seasonally adjusted LFS unemployment rate fell in November to 3.3% from 3.4% as compared to 3.0% before the epidemic.

**On Friday EURUSD** volatility range was a bit narrower than on Thursday. The rate went down to 1.22 from 1.228, the dollar benefited from rising US yields. The downward move from the last two sessions is only slightly lower than the short correction in mid-December. A decline below 1.22 could mean that the EURUSD pair will go down further.

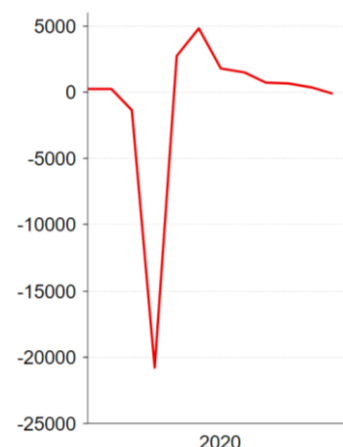
**EURPLN** was moving on Friday around 4.51 and the daily trading range was a bit smaller than a day before. USDPLN rose for the second session in a row and almost reached 3.70. Albeit the zloty has recovered from more than a half of the losses incurred between the first NBP intervention on 18 December and the end of the year, the central bank is not coming back to the market. We think this is not going to change before the Wednesday MPC meeting.

**As regards other CEE currencies:** As for the other CEE currencies, EURCZK and USDRUB decreased by c.0.2% to 26.15 and 74.3 respectively, remaining in the Thursday trading range. EURHUF rose somewhat and was sticking close to 350, a bit above the Thursday close.

**On the Polish fixed income market,** on Friday Polish bond outperformed German and US debt. Polish 10Y bond yield eased 3bp while the respective yields of Bund and UST rose 2-3bp to -0.525% (intraday it was even -0.51%) and 1.10%, respectively. As a result, the 10Y spreads narrowed to 176bp (its lowest since mid-November) and to 13bp (its lowest since late 2019), respectively.

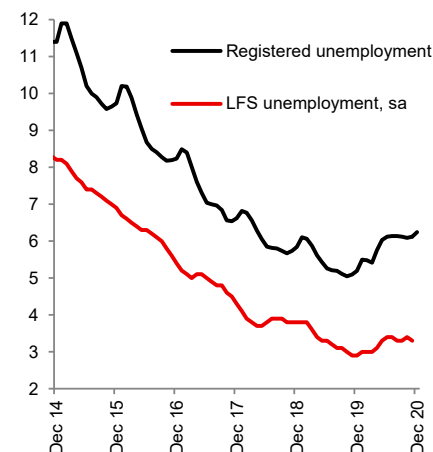
The **calendar for this week** is quite short: the main event will be the MPC meeting on Wednesday; November's balance of payments data will be released the same day. The Monetary Policy Council will keep interest rates unchanged, in our view. The balance of payments data are likely to show another big surplus in current account and very good export performance, which is consistent with industrial production data for November. Pretty good global sentiment and balance of payments data could be potentially supportive for the zloty, but the risk of NBP interventions may keep EURPLN hovering slightly above 4.50, we think. If the rate moves clearly below, we expect to see new NBP activity on the market. FRA market is pricing-in 50% chance of rate cut by 10bp in January and almost entire such cut by the end of Q1. Keeping rates on hold could trigger a correction, but only a small one if the MPC statement turns more dovish. 10Y bond yields have been almost stable since mid-December and it is unlikely to change due to the MPC decision. We see slight upward potential for yields due to significant weakening of core debt markets (in reaction to Democrats seizing control over US Senate) and the start of higher bond supply in Poland.

Monthly change of US nonfarm payrolls (k)



Source: Datastream, Santander

Unemployment rate in Poland, %



Source: GUS, Labour Ministry, Eurostat, Santander

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## FX market

### Today's opening

EURPLN	4,5172	CZKPLN	0,1709
USDPLN	3,7103	HUFPLN*	1,2433
EURUSD	1,2179	RUBPLN	0,0497
CHFPLN	4,1743	NOKPLN	0,4371
GBPPLN	4,9984	DKKPLN	0,6119
USDCNY	6,4802	SEKPLN	0,4483

\*for 100HUF

### Last session in the FX market

08.01.2021

	min	max	open	close	fixing
EURPLN	4,502	4,528	4,515	4,508	4,519
USDPLN	3,671	3,699	3,683	3,680	3,692
EURUSD	1,221	1,228	1,226	1,225	-

## Interest rate market

08.01.2021

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0,08	-1
DS0725 (5Y)	0,43	-3
DS1030 (10Y)	1,24	-3

### IRS on the interbank market\*\*

IRs on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,15	-1	0,20	-1	-0,55	0
2L	0,21	-2	0,21	1	-0,53	0
3L	0,31	-2	0,29	2	-0,52	0
4L	0,45	-2	0,41	2	-0,49	0
5L	0,59	-3	0,55	3	-0,45	1
8L	0,93	-1	0,95	7	-0,32	1
10L	1,11	0	1,11	5	-0,23	0

## WIBOR rates

Term	%	Change (bps)
O/N	0,09	0
T/N	0,10	1
SW	0,11	0
2W	0,17	0
1M	0,19	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	0
3x6	0,12	0
6x9	0,12	-3
9x12	0,12	-1
3x9	0,17	-1
6x12	0,15	-3

## Measures of fiscal risk

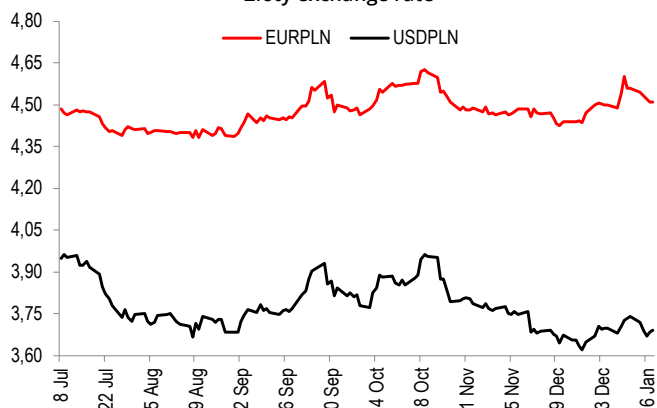
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	175	-6
France	8	0	20	-3
Hungary	64	0	268	3
Spain	41	-2	56	-4
Italy	63	-4	101	-6
Portugal	26	-2	49	-7
Ireland	12	0	22	-1
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

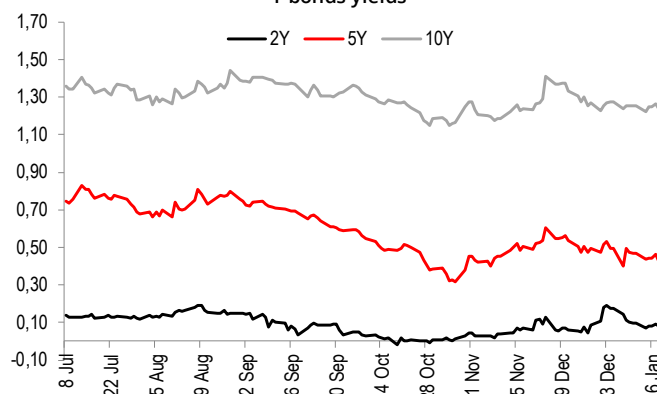
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

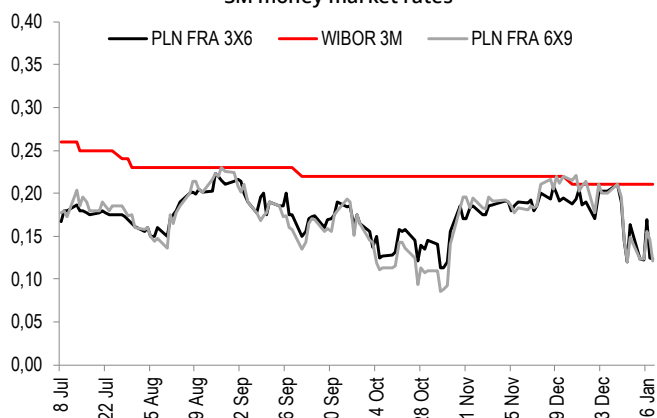
## Zloty exchange rate



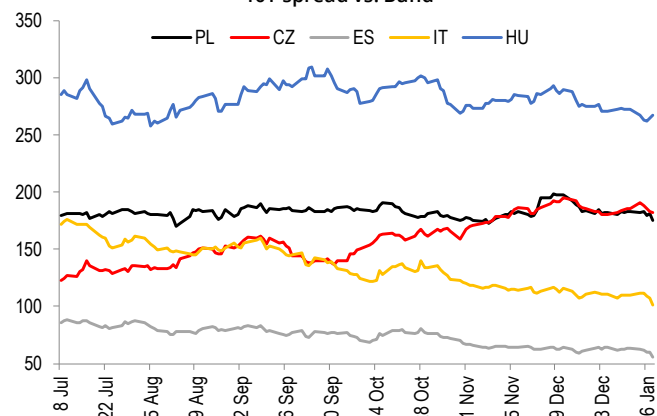
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Economic calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
FRIDAY (8 January)								
08:00	DE	Exports SA	Nov	% m/m	1.0	-	2.2	0.8
08:00	DE	Industrial Production SA	Nov	% m/m	0.75	-	0.9	3.2
09:00	CZ	GDP SA	3Q	% y/y	-5.0	-	-5.0	-5.0
09:00	CZ	Industrial Production	Nov	% y/y	-0.65	-	-2.2	-1.3
09:00	HU	Industrial Production SA	Nov	% y/y	-	-	1.6	2.7
11:00	EZ	Unemployment Rate	Nov	%	8.5	-	8.3	8.4
14:30	US	Change in Nonfarm Payrolls	Dec	k	50	-	-140	336
14:30	US	Unemployment Rate	Dec	%	6.8	-	6.7	6.7
MONDAY (11 January)								
No important data releases								
TUESDAY (12 January)								
No important data releases								
WEDNESDAY (13 January)								
	PL	MPC decision		%	0.10	0.10		0.10
09:00	CZ	CPI	Dec	% y/y	2.5	-		2.7
11:00	EZ	Industrial Production SA	Nov	% m/m	0.2	-		2.1
14:00	PL	Current Account Balance	Nov	€mn	1 716	2 582		2 241
14:00	PL	Trade Balance	Nov	€mn	1 536	2 307		1 732
14:00	PL	Exports	Nov	€mn	22 268	22 549		22 965
14:00	PL	Imports	Nov	€mn	20 572	20 242		21 233
14:30	US	CPI	Dec	% m/m	0.4	-		0.2
THURSDAY (14 January)								
09:00	HU	CPI	Dec	% y/y	2.9	-		2.7
14:30	US	Initial Jobless Claims	week	k	785	-		787
FRIDAY (15 January)								
10:00	PL	CPI	Dec	% y/y	2.3	2.3		3.0
14:30	US	Retail Sales Advance	Dec	% m/m	-0.1	-		-1.1
15:15	US	Industrial Production	Dec	% m/m	0.3	-		0.39
16:00	US	Michigan index	Jan	pts	79.5	-		80.7

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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