

12 January 2021

Eyeopener

Dollar weakening trend halts

Equities corrected lower at the start of the week
Zloty and other CEE currencies under pressure from stronger dollar
Polish bonds stronger despite weaker Bund
Today no important data

Start of the new week brought some correction of the optimism visible before the weekend. Stock markets in Europe fell by about 1%, while the dollar gained for the third session in a row, and this move was fuelled by rising number of coronavirus infections and occurrence of its new types. Additionally, the market was still mulling Friday, worse-than-expected US labour market data. The appreciation of the US dollar was negative for the EM currencies, including the zloty, the forint, the koruna and the ruble. Meanwhile, core market yields were moving on elevated levels reached last week, as outlook for higher fiscal stimulus by the new US president was more important than lower demand for risky assets. In the USA the Democrats want to impeach Donald Trump. Vote is to take place this week already and if the bill passes, then Trump could be indicted.

On Monday **the government informed** about prolongation of epidemic restrictions until end of January. There is one exception schools will be reopened for classes 1-3.

EURUSD fell yesterday for the third day in a row and reached 1.214, distancing more from the multimonth top of 1.235 reached in early January. In percent terms this is already the largest three-session drop since September 2020, and possibly the start of a larger correction. Today, the same as yesterday, there will be no major data releases.

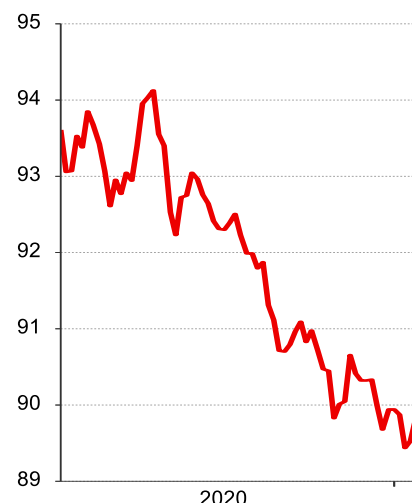
EURPLN and **USDPLN** rose cPLN0.03 yesterday to 4.53 and 3.73, respectively, amid weaker demand for the risky assets and stronger dollar. Last Thursday, EURPLN was testing 4.50, on Friday it closed slightly above this level while yesterday an upside move was recorded. In % terms, yesterday the zloty did not depreciate more than its CEE peers and so it seems that yesterday the uncertainty ahead of the tomorrow's MPC meeting was not exerting excessive negative pressure on the Polish currency. We think EURPLN shall hold above 4.50 awaiting the MPC decision..

The other CEE currencies: also depreciated. **EURHUF** and **EURCZK** rose c0.40% to 26.26 and 380.8, respectively, and **USDRUB** by 1.4% to 74.81. **EURCZK** retreated from 26.1 support that limits the koruna's appreciation potential since November already. In case of **USDRUB**, since the second half of December we are observing horizontal trend above important support of 72.0. During the last three sessions, **EURHUF** neutralized roughly half of the drop seen at the turn of the year which might have been due to the yesterday's data showing substantial rise of the budget deficit.

On the Polish fixed income market, at the start of the week bond yields fell by 3-4bp, while IRS rates rose by 2-3bp. Apart from the tightening of asset swap spreads, the spread to 10Y Bund and UST also decreased (to 175bp and 11bp respectively), as Polish government debt performed better than its German and US counterparts. It seems that for Polish bonds the prospect of the Wednesday MPC meeting – where the market sees a risk of a rate cut, outweighs the influence of tendencies on core market bonds. Ahead of the tomorrow's decision yields may stay at slightly lowered levels..

Head of **Polish Development Fund** Paweł Borys informed that the fund will issue 7Y bonds this Friday, due to the launch of PFR's Financial Shield 2.0 support program for microfirms and SMEs. Estimated supply size is PLN5bn..

Dollar index



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4,5173	CZKPLN	0,1707
USDPLN	3,7140	HUFPLN*	1,2413
EURUSD	1,2164	RUBPLN	0,0500
CHFPLN	4,1695	NOKPLN	0,4353
GBPPLN	5,0320	DKKPLN	0,6119
USDCNY	6,4650	SEKPLN	0,4484

*for 100HUF

Last session in the FX market

11.01.2021

	min	max	open	close	fixing
EURPLN	4,506	4,533	4,509	4,520	4,533
USDPLN	3,697	3,732	3,702	3,714	3,727
EURUSD	1,213	1,220	1,218	1,217	-

Interest rate market 11.01.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0,09	1
DS0725 (5Y)	0,43	1
DS1030 (10Y)	1,24	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,15	0	0,20	0	-0,54	0
2L	0,22	1	0,22	0	-0,52	1
3L	0,33	2	0,29	0	-0,50	2
4L	0,48	3	0,42	0	-0,48	1
5L	0,63	4	0,57	1	-0,44	1
8L	0,97	3	0,95	0	-0,31	1
10L	1,15	4	1,13	2	-0,21	2

WIBOR rates

Term	%	Change (bps)
O/N	0,08	-1
T/N	0,09	-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	0,13	0
6x9	0,13	1
9x12	0,14	2
3x9	0,17	1
6x12	0,18	2

Measures of fiscal risk

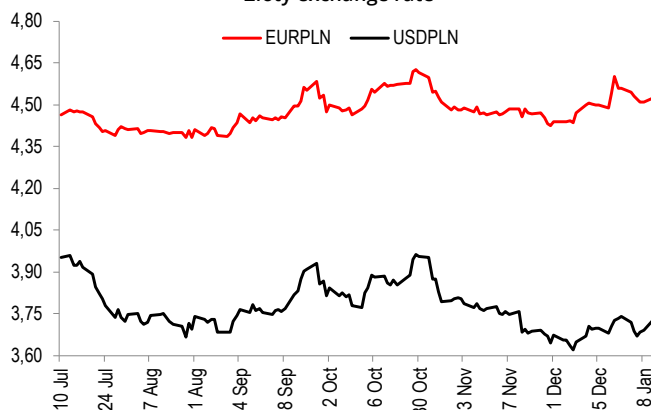
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	173	-2
France	8	0	21	0
Hungary	64	0	274	6
Spain	41	0	56	0
Italy	64	1	104	2
Portugal	26	0	50	0
Ireland	12	0	22	0
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

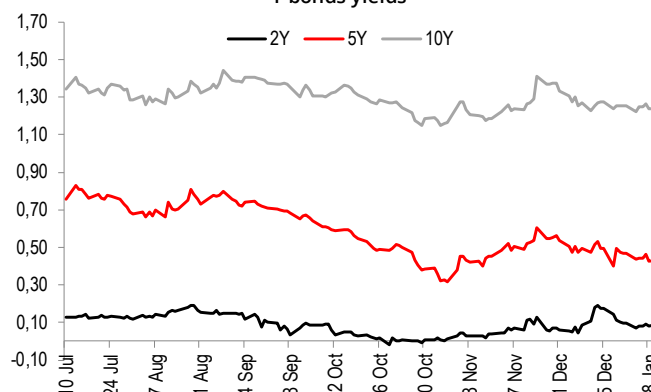
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

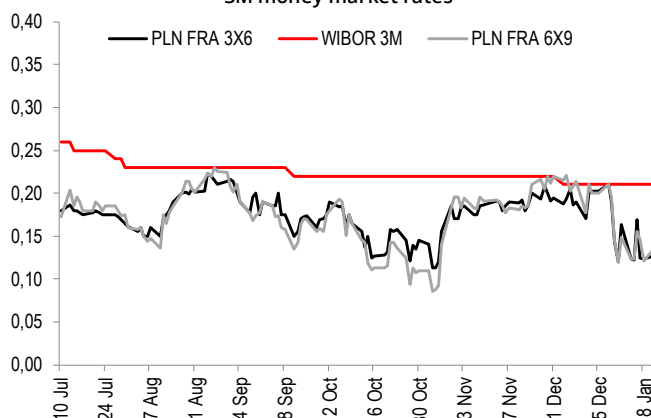
Zloty exchange rate



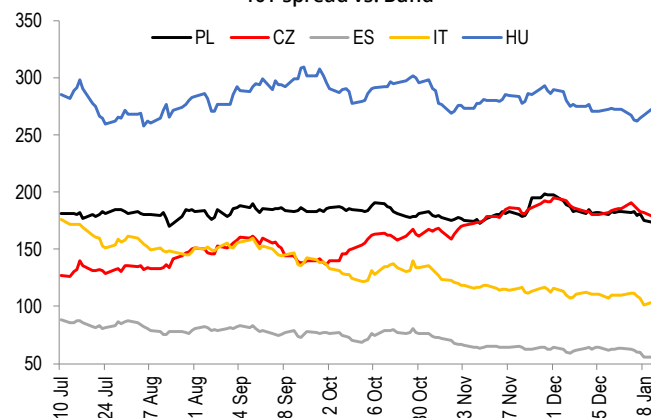
T-bonds yields



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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