

13 January 2021

Eyeopener

Today MPC rate decision

Lack of significant macroeconomic data supports stabilization of markets
 EURPLN and EURUSD without significant changes
 Polish bonds stable despite weaker bonds in the core markets
 Today MPC rate decision, balance of payments data. In the US - inflation

After deterioration of global sentiment on Monday and amid lack of major new data releases, yesterday markets were slightly calmer. European equity markets were hovering near previous close levels, dollar stopped strengthening quickly and only the core debt markets maintained the upward trend in yields. In the FX market the British pound appreciated, being supported by the Bank of England governor's words. Andrew Bailey said that a rate cut below zero would not automatically accelerate economic growth and that such move would have other consequences. Cooling down expectations for negative interest rates in the UK had positive impact on the pound. Today in the afternoon we will see the US inflation data and the US Congress will proceed the Donald Trump's impeachment.

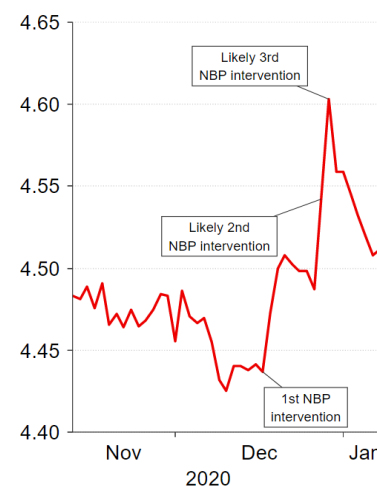
Yesterday **EURUSD** was oscillating around Monday close near 1.215. Lack of new data was stabilising for the markets, even despite further rise of US bond yields. In the second part of the day comments of Fed's James Bullard and Eric Rosengren that it is too early to discuss tapering given the pandemic undermined the dollar and today EURUSD is opening at 1.2215.

EURPLN was hovering yesterday between Monday's low and peak trading slightly above closing level of 4.52. USDPLN was holding at an elevated level, slightly above 3.72. Today the outcome of the MPC meeting could have a meaningful impact on the zloty. Since first NBP intervention in mid-December, EURPLN rose less than 2% (temporarily it was +4%) and USDPLN is 3% higher (it was also 4% up for w while). If the MPC surprises with a main rate cut to 0%, the zloty could likely depreciate. No cut and dovish tone of the statement (outlining conditions for a cut in the coming months) should be roughly market-neutral in our view. One cannot exclude that leaving rates unchanged would be accompanied by a central bank intervention. No press conference will be held after today's meeting but on Friday at 16:00CET the video with the central bank's governor answering questions will be released.

The other CEE currencies: the ruble and the forint performed the best. The former strengthened by more than it had lost on Monday thanks to a break in the appreciation of the dollar and a rebound of oil price (USDRUB ended the session just below 74.0). The forint recovered from the whole Monday depreciation and at the end of the day was slightly below 360 vs the euro. The Hungarian central bank informed that it will expand its corporate bond purchase program to HUF1.15tn from HUF750bn. EURCZK decreased yesterday by c.0.15% to 26.16.

On the Polish fixed income market, the Tuesday session looked similar to the Monday one, with the exception that IRS moves were larger. Yields stayed close to local minima (1.24% do 10Y), while IRS rates clearly rose under influence of weaker Bunds and Treasuries. The domestic IRS curve moved up by 1-6bp, the most on the long end (10Y up 6bp to 1.21%) and the least on the short end. As a result the 2-10 spread went above the December top and reached 97bp, the highest since the end of 2018, while for the bond yield curve the same spread was at 116bp which is still 15bp below the 2020 maximum of c.132bp. 10Y Bund and UST yield rose yesterday by 3-4bp to -0.473% (the highest since November) and 1.18% respectively. At the end of the day the UST yield fell back to 1.12% after dovish remarks of Fed members. 10Y Bund spread narrowed to 170bp, the lowest since August and the Polish 10Y is now only 5bp above the US counterpart. Today, the MPC meeting may have some influence on the market. If rates are kept unchanged this could cause a correction, albeit a small one if the tone of the statement is changed to more dovish.

EURPLN



Source: Refinitiv Datastream. Santander Bank Polska

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FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4.5207 | CZKPLN | 0.1710 |
| USDPLN | 3.7013 | HUFPLN* | 1.2592 |
| EURUSD | 1.2215 | RUBPLN | 0.0503 |
| CHFPLN | 4.1783 | NOKPLN | 0.4369 |
| GBPPLN | 5.0630 | DKKPLN | 0.6119 |
| USDCNY | 6.4572 | SEKPLN | 0.4489 |

*for 100HUF

Last session in the FX market

1/12/2021

| | min | max | open | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.513 | 4.529 | 4.525 | 4.525 | 4.523 |
| USDPLN | 3.708 | 3.729 | 3.722 | 3.719 | 3.719 |
| EURUSD | 1.214 | 1.218 | 1.215 | 1.217 | - |

Interest rate market

1/12/2021

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| WS0922 (2Y) | 0.11 | 2 |
| DS0725 (5Y) | 0.44 | 0 |
| DS1030 (10Y) | 1.25 | 1 |

IRS on the interbank market**

| Term | PL | US | EZ |
|------|--------------|--------------|--------------|
| | % | % | % |
| | Change (bps) | Change (bps) | Change (bps) |
| 1L | 0.16 | 0.21 | -0.55 |
| 2L | 0.24 | 0.22 | -0.52 |
| 3L | 0.35 | 0.30 | -0.50 |
| 4L | 0.52 | 0.42 | -0.47 |
| 5L | 0.67 | 0.57 | -0.43 |
| 8L | 1.02 | 0.96 | -0.29 |
| 10L | 1.21 | 1.13 | -0.20 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 0.08 | 0 |
| T/N | 0.09 | 0 |
| SW | 0.11 | 0 |
| 2W | 0.16 | -1 |
| 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 | 1 |
| 6x9 | 0.14 | 1 |
| 9x12 | 0.16 | 1 |
| 3x9 | 0.19 | 2 |
| 6x12 | 0.21 | 3 |

Measures of fiscal risk

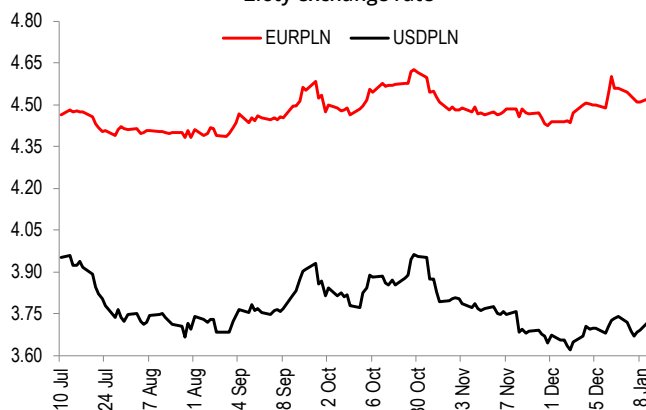
| Country | CDS 5Y USD | 10Y spread* |
|----------|--------------|--------------|
| | Level | Level |
| | Change (bps) | Change (bps) |
| Poland | 50 | 172 |
| France | 8 | 21 |
| Hungary | 64 | 277 |
| Spain | 42 | 59 |
| Italy | 67 | 111 |
| Portugal | 28 | 52 |
| Ireland | 12 | 30 |
| Germany | 8 | - |

* 10Y treasury bonds over 10Y Bunds

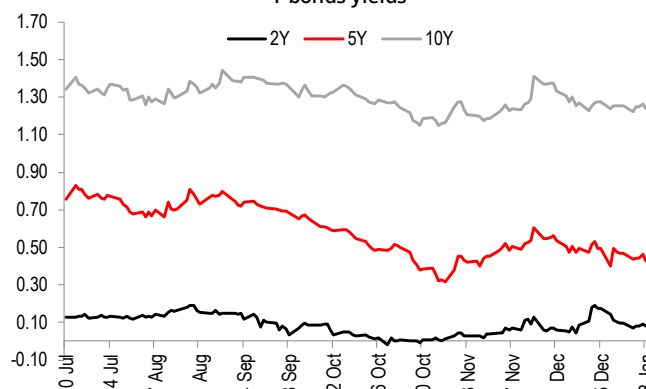
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

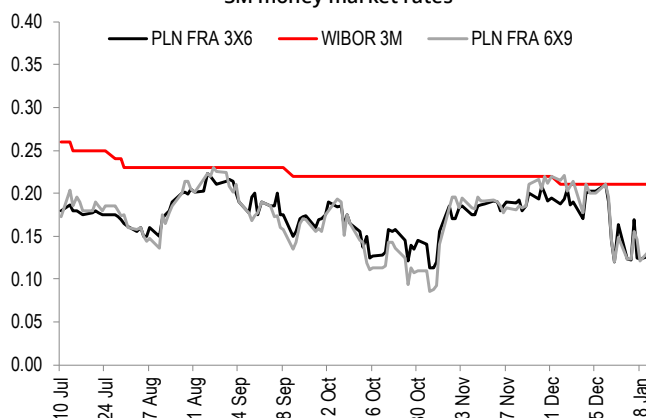
Zloty exchange rate



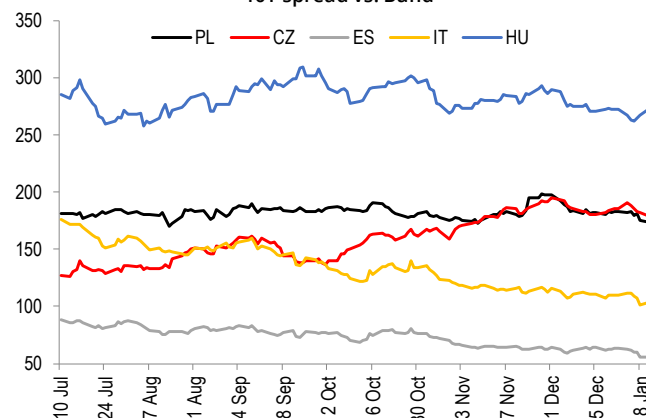
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

| 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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