

14 January 2021

# Eyeopener

## Zloty weaker after MPC

Political crisis in Italy, Lagarde optimistic on economy  
NBP rates unchanged, no hint of cuts in the communique  
Zloty weaker, bonds stronger post MPC  
Today Hungarian CPI. In the US initial jobless claims.

On Wednesday the market sentiment was neutral. The dollar returned to the appreciation impulse, core yields were falling, potentially due to information from Italy, facing growing political tension. Ex PM Matteo Renzi has been threatening to leave the Giuseppe Conte's coalition government for some time already, as he was not satisfied with distribution of means aimed at fighting the epidemic. November industrial output in the euro zone surprised to the upside. Yesterday the ECB president Christine Lagarde was positive on economic outlook: according to her the economy will start accelerating after restrictions are lifted. She stressed that the central bank has tools to neutralise the effects of the crisis. The House of Representatives introduced the article of impeachment of Donald Trump.

**Polish MPC kept interest rates on hold**, with the main reference rate at 0.1%. The official press release remained almost unchanged vs its December version. The only major change is that the Council added that in order to reinforce the impact of monetary easing on the economy the NBP may intervene on the FX market and the operations will be in accordance with market conditions. It confirms that the central bank may continue watching the currency movements and may step in if EURPLN goes below 4.50. There was no mention whatsoever about potential further interest rate reductions, mentioned earlier in the NBP governor's interview. We see it as a confirmation of view that the chances for further interest rate reductions are not big, unless economic outlook deteriorates very significantly. On Friday at 16:00 CET the NBP governor will answer the selected journalists' questions in a recorded message, perhaps he will shed more light on his views regarding the policy outlook.

**Poland current account balance** reached +€1.7bn in November, less than we expected (€2.6bn). Both exports and imports surprised to the upside, posting the highest growth rates in 2020 (including pre-Covid months): 9.5% y/y and 5.3% y/y, respectively. Services also improved and posted the best results since March, yet both main categories were still below last year's results: export by 6.5% y/y and import by 9.1% y/y. Exports of goods are mostly driven by positive situation in the Polish industry and we are expecting this trend to hold (albeit some moderation is possible in 1Q21 amid lengthening pandemic restrictions in main European countries). Imports are likely to lag behind as long as there is no major rebound in private consumption. 12m current account surplus improved to 3.4% of GDP from 3.3% in October.

**Head of Energy Regulatory Office (URE)** approved yesterday a new natural gas distribution charge for one of the operators, PSG. The charge is up by c.3.6%. At the same time the price of gas was lowered this year. Taken together, this means that gas bills of c.7mn households supplied by PSG will rise by c.1.5%. We estimate that the URE decision will add around 0.05 pp to CPI in 2021.

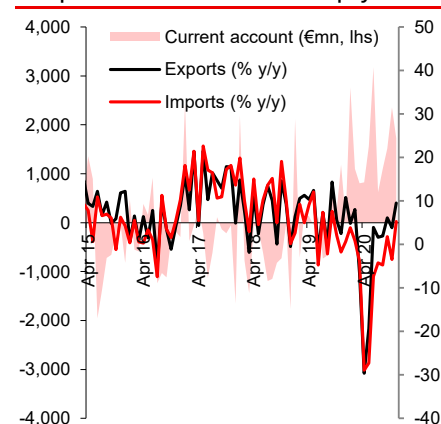
Yesterday **EURUSD** offset more than a half of the Tuesday rise and closed at about 1.217. The euro was negatively affected by the news from Italy (political crisis) and the USA (a large support package is being discussed). This morning EURUSD is at 1.2145.

**EURPLN** spent most of the day close to 4.52 and only late in the session, after the release of the MPC statement it rose to 4.54. USDPLN moved in an upward trend and by the end of the day rose to 3.73. On Thursday morning the zloty keeps depreciating.

**The other CEE currencies:** we saw no big changes. EURCZK eased only marginally below the Tuesday's closing and reached 26.15. The Czech CPI fell noticeably in December to 2.3% y/y from 2.7% y/y. EURHUF rose 0.4% to 360.7 and USDRUB by 0.2% to 73.62. The Russian ministry of finance announced that tomorrow it will resume its FX purchases on the market.

**On the Polish fixed income market,** 5Y and 10Y IRS rates and bond yields decreased by 4-6bp under the influence of strengthening core debt markets and despite the lack of clear change in the MPC's rhetoric. FRA1x4 rebounded by almost 2bp to 0.14% and slightly longer FRA 3x6 and 6x9 decreased by c.2bp to 0.09% and 0.10%, respectively.

### Components of Polish balance of payments



Source: NBP, Santander Bank Polska

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
website: [santander.pl/en/economic-analysis](https://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	4.5429	CZKPLN	0.1712
USDPLN	3.7408	HUFPLN*	1.2591
EURUSD	1.2143	RUBPLN	0.0506
CHFPLN	4.2118	NOKPLN	0.4414
GBPPLN	5.1016	DKKPLN	0.6119
USDCNY	6.4687	SEKPLN	0.4485

\*for 100HUF

### Last session in the FX market

1/13/2021

	min	max	open	close	fixing
EURPLN	4.515	4.545	4.519	4.536	4.527
USDPLN	3.697	3.734	3.701	3.730	3.714
EURUSD	1.215	1.222	1.221	1.216	-

## Interest rate market

1/13/2021

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.09	-2
DS0725 (5Y)	0.41	-2
DS1030 (10Y)	1.21	-4

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

IRs on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.15	-1	0.21	0	-0.55	0
2L	0.22	-2	0.22	-1	-0.52	0
3L	0.32	-3	0.28	-2	-0.51	-1
4L	0.48	-4	0.41	-1	-0.48	-1
5L	0.63	-4	0.55	-2	-0.45	-2
8L	0.96	-6	0.91	-4	-0.33	-4
10L	1.15	-7	1.09	-4	-0.23	-3

## WIBOR rates

Term	%	Change (bps)
O/N	0.07	-1
T/N	0.09	0
SW	0.11	0
2W	0.17	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	0.17	2
3x6	0.12	-1
6x9	0.14	-1
9x12	0.14	-2
3x9	0.17	-1
6x12	0.17	-4

## Measures of fiscal risk

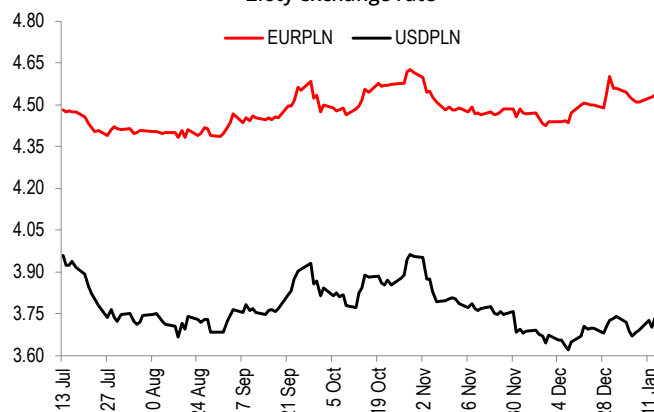
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	173	1
France	7	-1	21	0
Hungary	64	0	289	12
Spain	43	0	59	0
Italy	66	0	108	-3
Portugal	28	0	52	0
Ireland	12	0	30	0
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

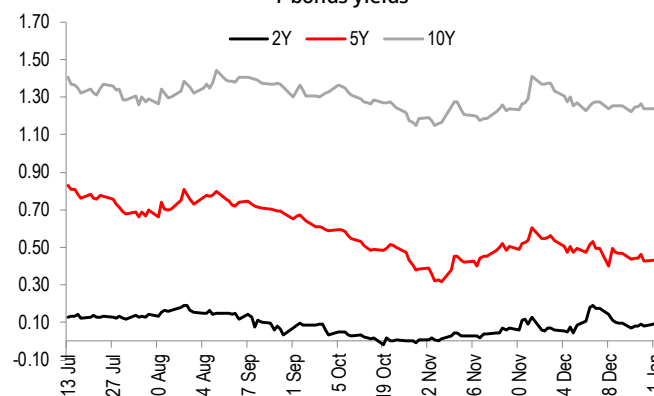
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

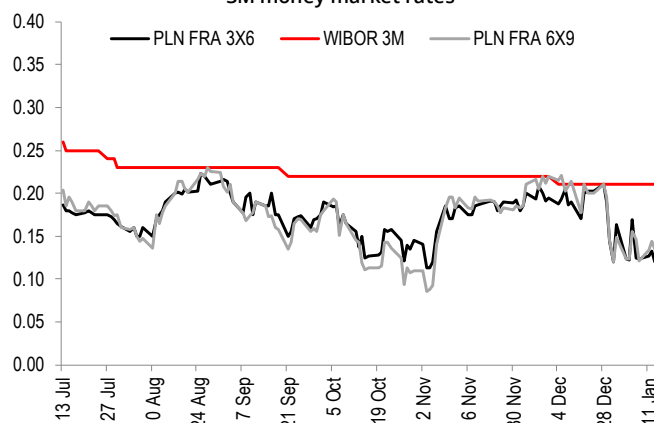
## Zloty exchange rate



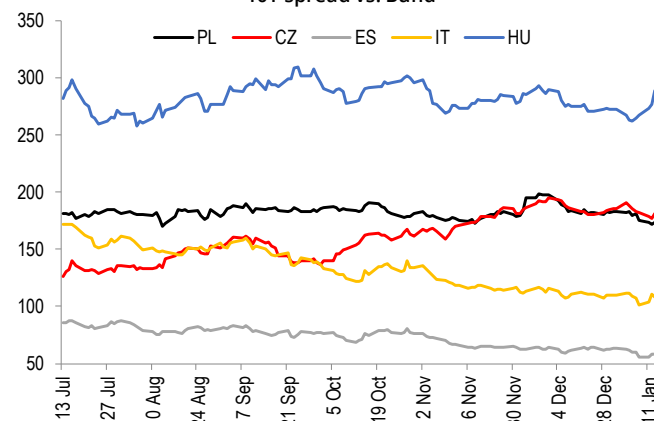
## T-bonds yields



## 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	0.10
09:00	CZ	CPI	Dec	% y/y	2.5	-	2.3	2.7
11:00	EZ	Industrial Production SA	Nov	% m/m	0.2	-	2.5	2.2
14:00	PL	Current Account Balance	Nov	€mn	1 716	2 582	1 725	2 356
14:00	PL	Trade Balance	Nov	€mn	1 536	2 307	1 756	1 755
14:00	PL	Exports	Nov	€mn	22 268	22 549	22 965	22 988
14:00	PL	Imports	Nov	€mn	20 572	20 242	21 209	21 233
14:30	US	CPI	Dec	% m/m	0.4	-	0.4	0.2
THURSDAY (14 January)								
09:00	HU	CPI	Dec	% y/y	2.8	-		2.7
14:30	US	Initial Jobless Claims	week	k	780	-		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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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>.