

15 January 2021

Eyeopener

NBP Glapiński speaks today

Italy government problems, US president Biden fiscal package
Zloty and koruna weaker, forint and rouble stronger
EURUSD even lower
Polish bond yields slightly lower while IRS higher
Today inflation in Poland and a speech of NBP's Glapiński

On Thursday the European stock indices climbed slightly even though the information flow was not very positive. German GDP shrank by 5% in 2020 as compared to -5.7% in 2009 after the GFC. Meanwhile, the German finance minister said yesterday that the German economy is likely to grow in 2021 less than 4.4% expected in October. Matteo Renzi withdrew his support for the Italian government, triggering a political crisis. The PM Giuseppe Conte could try to form another coalition, president Sergio Mattarella could designate someone else as the PM or new election could be organised. In the USA the weekly initial jobless claims surprised to the upside, but the negative message of these numbers was offset by the planned fiscal support for the US economy worth USD1900bn planned by the president-elect. Out of this sum, USD400bn is envisaged for vaccination support and reopening of schools in 100 days' time. USD350bn will be streamed to local governments and the plan also includes higher jobless money, childcare benefit and direct transfers to US citizens of USD1400. A detailed plan of spending, covering issues like infrastructure and climate change will be released in February.

EURUSD set the new January's low yesterday, at almost 1.21, which was triggered by negative news from Europe and expectations for positive impact of big fiscal stimulus on the US economy. The EURUSD has just recorded the biggest weekly drop since October, measured by the change since Monday's opening to the current level.

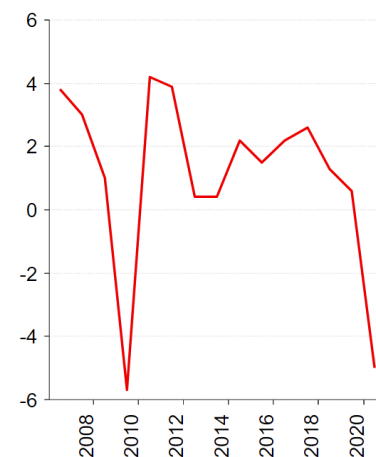
EURPLN rose to 4.55 and USDPLN to 3.75 amid stronger dollar and risk of the central bank intervening in the market. We think the zloty could be depreciating gradually in the coming days.

The other CEE currencies: the koruna performed the worst (EURCZK rose 0.15% to nearly 26.2) despite Czech central banker Vojtech Benda said the normalization of the monetary policy could be considered in 2H21. Main Czech rate stands at 0.25%. EURHUF fell 0.3% to 359.5 holding between Wednesday's low and high. Hungarian December inflation remained at 2.7% y/y, slightly below expectations. USDRUB fell 0.5% to slightly below 73.4 and is only slightly above the January's low of 73.0 set earlier this month. The ruble gained despite the stronger dollar and cheaper oil.

On the Polish fixed income market, bond yields decreased further (but to a lesser extent than on Wednesday) while IRS rates went up by 1-3bp. On the core markets, 10Y Bund gained (yield down by 3bp to -0.55%) and Treasuries lost (yield up 1-2bp). As a result the spread to German longterm benchmark widened for the second day in a row, to 176bp from 171bp on Tuesday, while the UST spread narrowed to 11bp from 12bp. Today there is an **auction** of 7Y Polish Development Fund (PFR) bonds with a supply of PLN5bn. PFR head Paweł Borys said the next one will most likely be held no sooner than in early February.

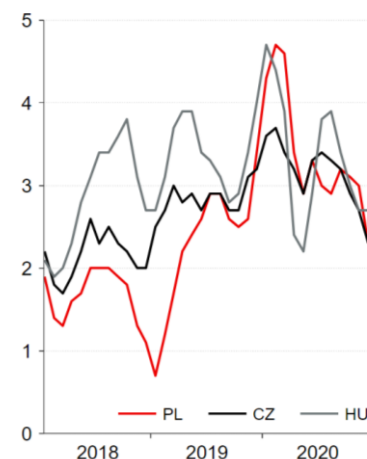
Today at 1000CET the **final reading of December CPI** will be out, including all the details. We expect it to confirm that the large decline of flash headline CPI came from core components. It seems that this year inflation will stay below the NBP target most of the time. At 1600CET NBP will publish a **recording with governor Adam Glapiński** answering selected questions filed earlier by journalists. It seems that after the Wednesday MPC statement was issued the recording will not add any new important information..

German annual GDP (% y/y)



Source: Refinitiv Datastream, Santander Bank Polska

CPI in Poland, Czechia and Hungary (% r/r)



Source: NBP, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.5334	CZKPLN	0.1717
USDPLN	3.7405	HUFPLN*	1.2635
EURUSD	1.2136	RUBPLN	0.0509
CHFPLN	4.2111	NOKPLN	0.4399
GBPPLN	5.1067	DKKPLN	0.6119
USDCNY	6.4673	SEKPLN	0.4490

*for 100HUF

Last session in the FX market

1/14/2021

	min	max	open	close	fixing
EURPLN	4.531	4.551	4.540	4.541	4.541
USDPLN	3.725	3.756	3.736	3.736	3.732
EURUSD	1.211	1.217	1.215	1.215	-

Interest rate market

1/14/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.08	0
DS0725 (5Y)	0.42	0
DS1030 (10Y)	1.21	0

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.16	0.21	-0.55
2L	0.23	0.21	-0.53
3L	0.34	0.28	-0.52
4L	0.50	0.40	-0.49
5L	0.65	0.55	-0.46
8L	0.99	0.94	-0.34
10L	1.18	1.12	-0.24

WIBOR rates

Term	%	Change (bps)
O/N	0.09	2
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	0.17	0
3x6	0.14	2
6x9	0.14	1
9x12	0.15	1
3x9	0.19	1
6x12	0.18	1

Measures of fiscal risk

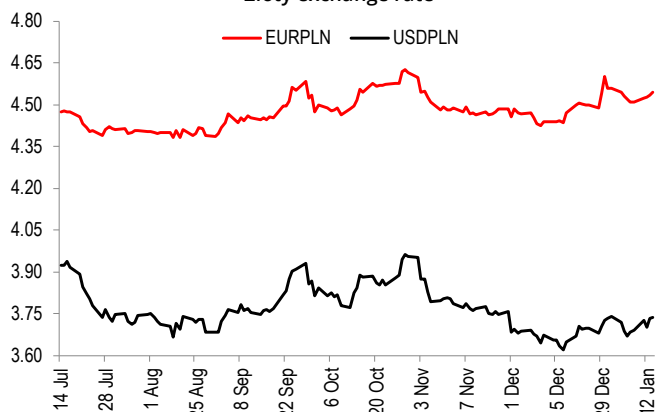
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	176
France	7	22
Hungary	64	293
Spain	43	62
Italy	71	116
Portugal	28	57
Ireland	12	31
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

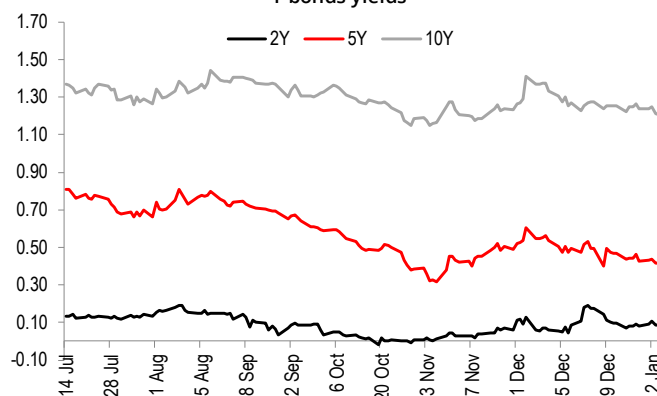
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

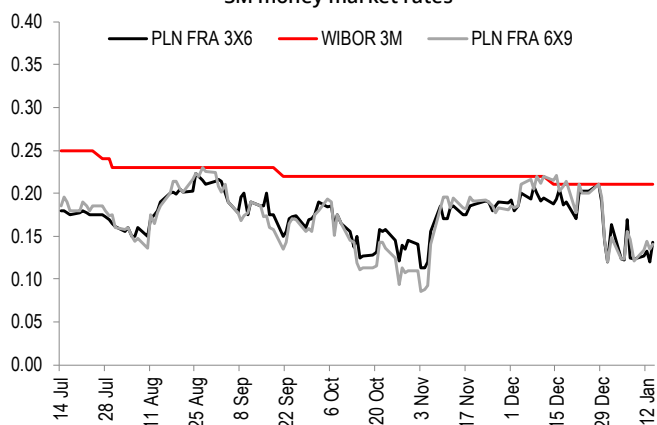
Zloty exchange rate



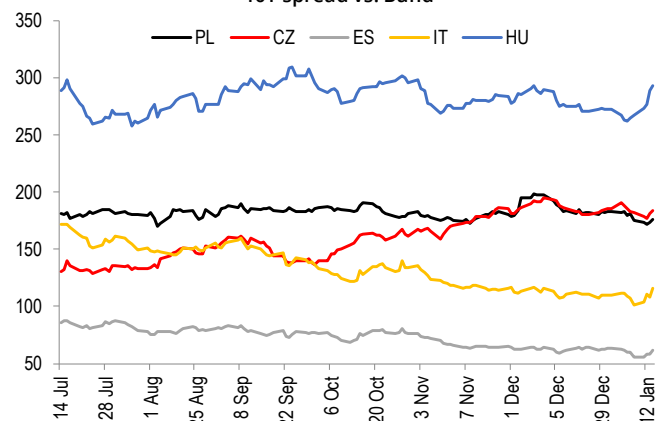
T-bonds yields



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	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	-	2.8	2.7
14:30	US	Initial Jobless Claims	week	k	780	-	965	784
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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