

21 January 2021

# Eyeopener

## Biden sworn in, stocks and dollar stronger

The market is focused on US support package  
Zloty stable, EURUSD down again  
Bond yields and IRS rate stable in Poland and abroad  
Today Polish labour market data, ECB decision, US data

Wednesday's session passed in quite positive mood. The main factor pushing equity markets up was anticipation of the new US President's swearing-in and hopes for a quick adoption of the generous fiscal package, which Joe Biden had announced during the campaign. Despite the optimism in the global market, euro lost versus the dollar, which could be the result of lockdown extension in Germany until mid-February. Moreover, the single currency could have suffered before today's ECB post-meeting press conference, at which governor Lagarde could try to talk down the currency. Meanwhile, yesterday stronger dollar did not harm commodities – gold and oil price went up by 1-2%. Core debt markets were stable. Final HICP inflation in the euro zone did not surprise, stabilising at -0.3% y/y.

**MPC member Cezary Kochalski** said yesterday that taking under consideration the currently available information about the economy interest rates should remain at the current level. He expects that the upcoming quarters will result in improvement in the economic activity however if there was a "significant risk of the deterioration of the financial conditions of indebted households and companies" then the interest rate cut would be justified. In his opinion the likelihood of such a scenario is not high. Another MPC member **Eugeniusz Gatnar** is of the opinion that in 2021 inflation will rise above 3% and perhaps even higher. As reasons he enumerated higher energy costs and new taxes.

On Wednesday **EURUSD** was continuing to increase only in the early morning hours, then for most of the day it fell and retraced the upside move from the day earlier. EUR declined due to the news about extended and toughened Covid-19 restrictions in Germany as well as the risk of verbal intervention of the ECB. The outcome of today's meeting might add to EURUSD volatility in the short term. We do not think however that 1 month after ECB has adjusted its monetary policy stance, some new information will show up which would impact the exchange rate in the longer term.

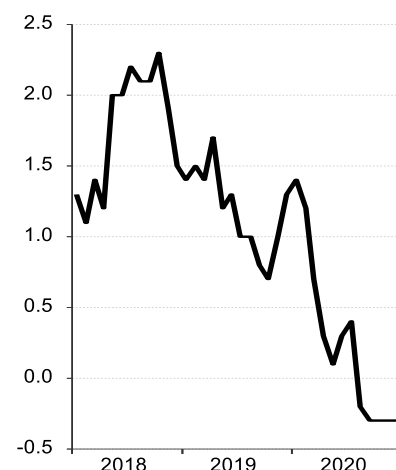
Yesterday **EURPLN** was oscillating around 4.53, in a range slightly broader than on Tuesday (0.6% vs 0.4%) and remained in the consolidation range valid since mid-January, with some downward tendency. USDPLN climbed to 3.75, but remained below Tuesday maximum (at almost 3.76). In our view EURPLN could be hovering slightly above 4.50 in the upcoming days.

In case of **other CEE currencies**, the forint and the koruna gained slightly despite the stronger dollar while the ruble was relatively stable. EURCZK was testing November bottom at c26.1 that is limiting the koruna's appreciation potential.

On the domestic **interest rate market** IRS did not change much, bond yields also remained near their local lows. The 10Y PL-DE bond yield spread stabilized slightly above 170bp support in place since August and the respective asset swap spread is hovering slightly above 0bp and in our view this suggests there is little room for the long-term yields to fall.

**NBP** repurchased PS0425, WS0428, DS1030 bonds for the total amount of PLN1.49bn. So far, the central bank has repurchased bonds for PLN108.6bn, half of which were POLGBs and half debt issued by the state owned BGK bank and Polish Development Fund (PFR). The Ministry of Finance said that at the tomorrow's auction it will offer OK0423, PS0425, DS1030, WZ1126, WZ1131 bonds for the total amount of PLN6-8bn. Ministry's data show that at the end of November, nonresidents were holding 47% of DS1030 outstanding while in the remaining series domestic investors dominated more clearly, mainly banks.

### Euro zone HICP inflation (% y/y)



Source: Refinitiv Datastream, Santander

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## FX market

### Today's opening

EURPLN	4.5302	CZKPLN	0.1733
USDPLN	3.7347	HUFPLN*	1.2694
EURUSD	1.2131	RUBPLN	0.0510
CHFPLN	4.2010	NOKPLN	0.4409
GBPPLN	5.1189	DKKPLN	0.6089
USDCNY	6.4590	SEKPLN	0.4483

\*for 100HUF

### Last session in the FX market

20.01.2021

	min	max	open	close	fixing
EURPLN	4.521	4.538	4.535	4.531	4.524
USDPLN	3.723	3.753	3.733	3.742	3.730
EURUSD	1.208	1.216	1.214	1.211	-

## Interest rate market

20.01.2021

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.09	0
DS0725 (5Y)	0.40	0
DS1030 (10Y)	1.20	1

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.16	0.20	-0.55
2L	0.23	0.21	-0.53
3L	0.34	0.27	-0.51
4L	0.50	0.39	-0.48
5L	0.65	0.51	-0.44
8L	1.00	0.89	-0.32
10L	1.18	1.07	-0.22

## WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.08	0
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	0.18	0
3x6	0.14	0
6x9	0.14	-1
9x12	0.15	1
3x9	0.19	0
6x12	0.20	-1

## Measures of fiscal risk

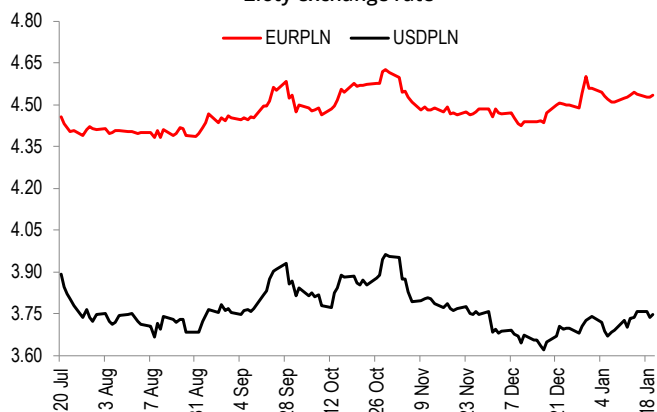
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	172
France	7	23
Hungary	64	295
Spain	41	61
Italy	65	111
Portugal	26	57
Ireland	12	31
Germany	8	-

\* 10Y treasury bonds over 10Y Bunds

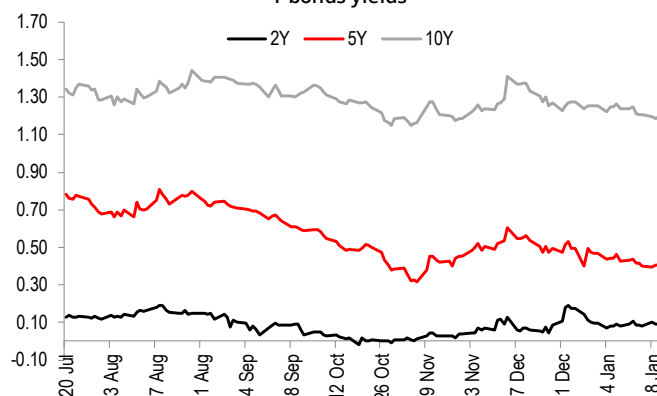
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

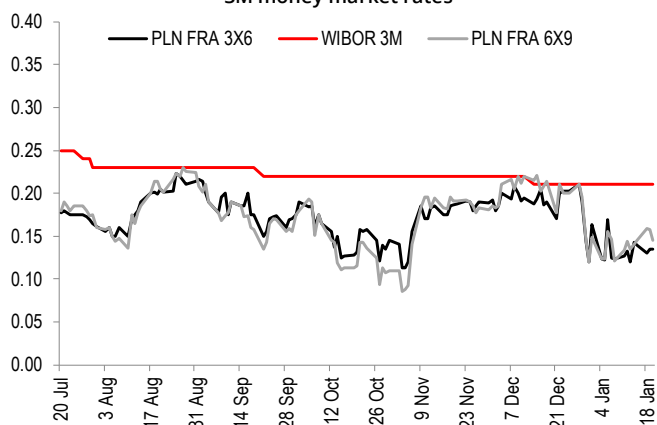
## Zloty exchange rate



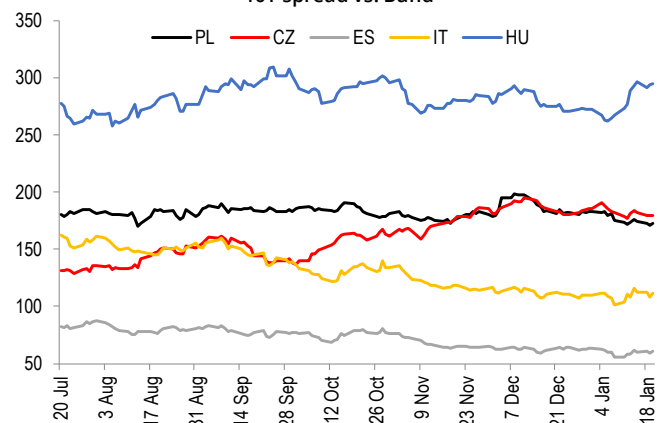
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Economic Calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
FRIDAY (15 January)								
10:00	PL	CPI	Dec	% y/y	2.3	2.3	2.4	3.0
14:30	US	Retail Sales Advance	Dec	% m/m	0.0		-0.7	-1.4
15:15	US	Industrial Production	Dec	% m/m	0.5		1.6	0.5
16:00	US	Michigan index	Jan	pts	79.5		79.2	80.7
MONDAY (18 January)								
14:00	PL	CPI Core	Dec	% y/y	3.7	3.7	3.7	4.3
TUESDAY (19 January)								
08:00	DE	HICP	Dec	% m/m	0.6		0.6	0.6
11:00	DE	ZEW Survey Current Situation	Jan	pts	-68.3		-66.4	-66.5
WEDNESDAY (20 January)								
11:00	EZ	HICP	Dec	% y/y	-0.3	-	-0.3	-0.3
THURSDAY (21 January)								
10:00	PL	Employment in corporate sector	Dec	% y/y	-1.1	-1.1		-1.2
10:00	PL	Average Gross Wages	Dec	% y/y	4.7	4.7		4.9
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:30	US	Initial Jobless Claims	week	k	788	-		965
14:30	US	Housing Starts	Dec	% m/m	1.06	-		1.2
14:30	US	Index Philly Fed	Jan		12.0	-		9.1
FRIDAY (22 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	58.0	-		58.3
09:30	DE	Markit Germany Services PMI	Jan	pts	46.0	-		47.0
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	54.9	-		55.2
10:00	EZ	Eurozone Services PMI	Jan	pts	45.5	-		46.4
10:00	PL	Construction Output	Dec	% y/y	-0.6	-3.2	-	-4.9
10:00	PL	PPI	Dec	% y/y	0.0	0.0	-	-0.2
10:00	PL	Retail Sales Real	Dec	% y/y	1.3	-3.8	-	-5.3
16:00	US	Existing Home Sales	Dec	% m/m	-2.1		-	-2.5

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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