

25 January 2021

Eyeopener

Will the industrial output also surprise?

Correction in optimism, PMI down but less than expected
Retail sales and construction above expectations
Zloty and other CEE currencies weaker, EURUSD up
Bond yields down, IRS stable
Today Polish industrial output and German Ifo

The end of last week saw a correction of optimism in global markets. China informed about introducing restrictions related to the New Year celebrations starting in the country. In Europe the flash PMIs for January have been released. Drop of indices versus December was no surprise due to extending restrictions across Europe; the readings were close to consensus or sometimes even higher. It could have protected the euro against drop vs dollar. Meanwhile, core market bonds benefited from falling equities.

Retail sales declined by 0.8% y/y in December as compared to -5.3% y/y in November (market consensus at -0.9% y/y, our forecast at -3.8% y/y). We think that January retail sales are likely to deteriorate again given shopping malls were closed. Still, as the labour market situation remains quite robust, in our view epidemic restrictions are the main obstacle for a major rebound in retail sales and private consumption so we are expecting a quick normalisation as soon as these end. **Construction output** beat forecasts in December rising 3.4% y/y instead of falling 3.2% as we expected or by 0.6% seen by the market. All subsectors contributed to the rebound but mostly the construction of buildings, probably due to a major jump in housing market activity. There was a further rise of **business confidence** in January, but more selective than in December. Read more in our [Economic Comment](#).

EURUSD stayed on Friday a bit above the Thursday close at c.1.216. The exchange rate was relatively stable despite the dynamic changes on European equities. During the last five sessions the euro offset almost all the loss vs the US currency from the week before. EURUSD did not go below the support level of 1.201 indicated by the September peak. This may mean that in the coming days the fx pair will be heading towards the year-to-date maximum around 1.235.

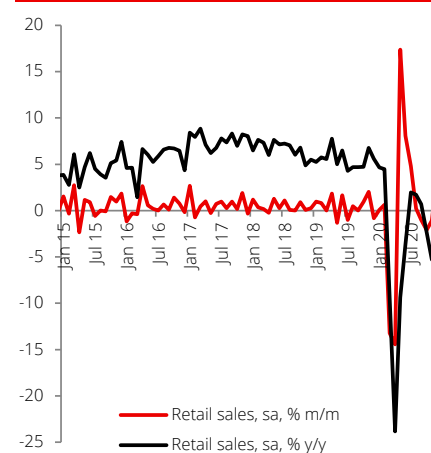
EURPLN rose on Friday to 4.544 from 4.53, but remained within the side trend seen since the middle of the month. We think that in the short term the zloty will be stable. We see a possibility of EURPLN approaching 4.50 thanks to the domestic data that are coming above expectations lately.

Other CEE currencies also weakened, the rouble the most (+1.7% vs USD) due to the smaller risk appetite as well as lower oil prices. As a result USDRUB increased to 75.0 from 73.7 breaking above the narrowing range which started mid-December. It might mean a continued ruble weakness in the short term. EURCZK moved away from 26.1 despite hawkish comments from the CNB deputy president. Marek Mora said that the next interest rate move might rather be a hike not a cut and as early as in May – when the new GDP and CPI forecast are due for release. EURHUF increased after 4 days of consecutive declines.

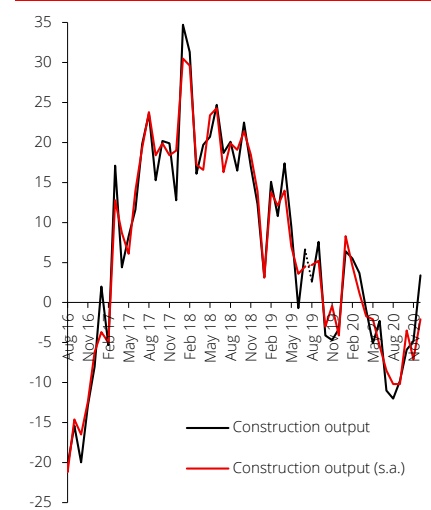
On the Polish fixed income market IRS again have not changed much and in the meantime bond yields declined by 3-5bp mainly in the belly and long end of the curve. Polish debt gained thanks to core market yields and despite better than expected Polish macro data. 10Y POLGB-Bund spread reached support at 170bp and since then got slightly wider at 174bp. We think that in the short term bond yields might slowly increase. On Friday auction the Ministry of Finance sold bonds worth PLN9.1bn of which PLN1.1bn at complimentary auction while the demand stood at PLN15.6bn. After the auction this year's financing needs are covered in 42%.

The end of January will be interesting in terms of macro data: today Poland industrial output will be released and 2020 GDP on Friday. After the positive surprises in last week's data, the upcoming figure might beat expectations as well. Abroad, there will be also releases of 2020 GDP in the USA or Germany, among others. Next to this data, central banks will hold their meetings: Fed on Wednesday and Hungarian on Tuesday.

Poland retail sales



Poland construction output, % y/y



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FX market

Today's opening

EURPLN	4.5331	CZKPLN	0.1720
USDPLN	3.7255	HUFPLN*	1.2566
EURUSD	1.2174	RUBPLN	0.0499
CHFPLN	4.2096	NOKPLN	0.4381
GBPPLN	5.1037	DKKPLN	0.6096
USDCNY	6.4782	SEKPLN	0.4486

*for 100HUF

Last session in the FX market

22.01.2021

	min	max	open	close	fixing
EURPLN	4.525	4.544	4.529	4.537	4.535
USDPLN	3.718	3.736	3.719	3.726	3.726
EURUSD	1.215	1.219	1.217	1.218	-

Interest rate market

22.01.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.10	-1
DS0725 (5Y)	0.44	-1
DS1030 (10Y)	1.23	-1

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.18	0.21	-0.54
2L	0.27	0.20	-0.52
3L	0.34	0.25	-0.50
4L	0.50	0.38	-0.47
5L	0.65	0.52	-0.43
8L	1.01	0.91	-0.30
10L	1.19	1.09	-0.20

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.09	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	0.15	0
6x9	0.16	2
9x12	0.18	0
3x9	0.20	-1
6x12	0.22	2

Measures of fiscal risk

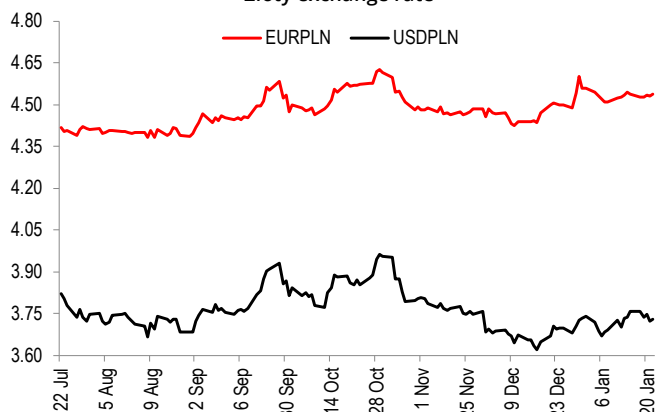
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	174
France	7	24
Hungary	64	287
Spain	43	64
Italy	70	122
Portugal	28	59
Ireland	12	32
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

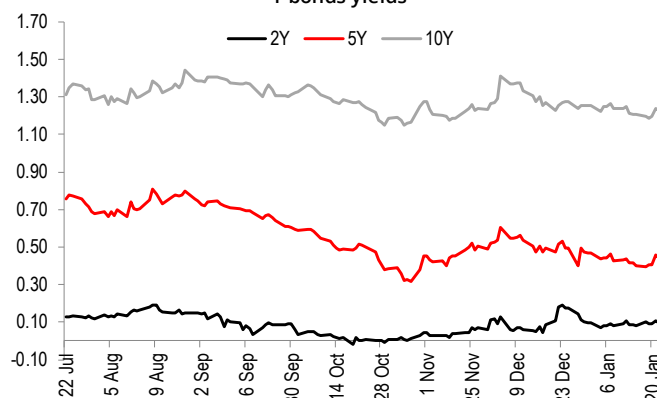
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

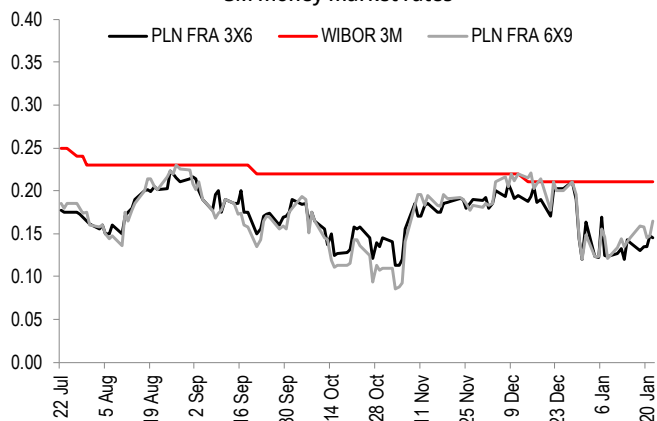
Zloty exchange rate



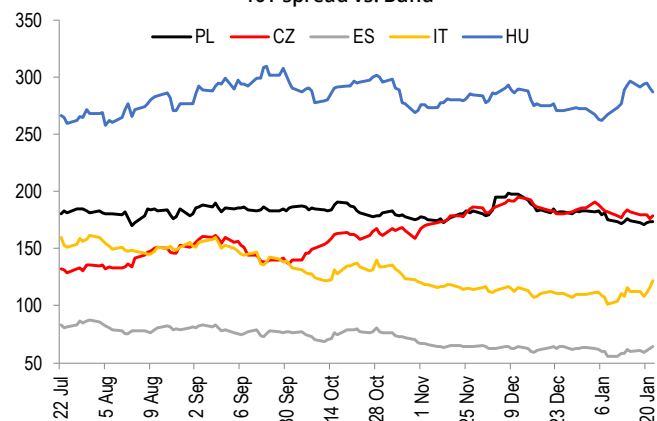
T-bonds yields



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 (22 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	57.5	-	57.0	58.3
09:30	DE	Markit Germany Services PMI	Jan	pts	45.3	-	46.8	47.0
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	54.5	-	54.7	55.2
10:00	EZ	Eurozone Services PMI	Jan	pts	44.5	-	45.0	46.4
10:00	PL	Construction Output	Dec	% y/y	-1.1	-3.2	3.4	-4.9
10:00	PL	PPI	Dec	% y/y	-0.1	0.0	0.0	-0.2
10:00	PL	Retail Sales Real	Dec	% y/y	-1.2	-3.8	-0.8	-5.3
16:00	US	Existing Home Sales	Dec	% m/m	-2.1	-	0.7	-2.2
MONDAY (25 January)								
10:00	DE	IFO Business Climate	Jan	pts	0.0	-		92.1
10:00	PL	Sold Industrial Output	Dec	% y/y	8.7	8.4		5.4
TUESDAY (26 January)								
14:00	HU	Central Bank Rate Decision		%	0.0	-		0.6
14:00	PL	Money Supply M3	Dec	% y/y	16.3	16.2		16.1
16:00	US	Consumer Conference Board	Jan	pts	89.0	-		88.6
WEDNESDAY (27 January)								
10:00	PL	Unemployment Rate	Dec	%	6.2	6.2		6.1
14:30	US	Durable Goods Orders	Dec	% m/m	1.0	-		1.0
20:00	US	FOMC decision	Jan.21		0.25	-		0.25
THURSDAY (28 January)								
11:00	EZ	ESI	Jan	pct.	-	-		90.4
14:00	DE	HICP	Jan	% m/m	0.6	-		0.6
14:30	US	GDP Annualized	4Q	% Q/Q	4.7	-		33.4
14:30	US	Initial Jobless Claims	week	k	935	-		965
16:00	US	New Home Sales	Dec	% m/m	1.3	-		-11.0
FRIDAY (29 January)								
08:00	DE	GDP WDA	4Q	% y/y	0.0	-		-4.0
10:00	PL	GDP	2020	% y/y	-2.7	-2.9		4.5
14:30	US	Personal Spending	Dec	% m/m	-0.5	-		-0.4
14:30	US	Personal Income	Dec	% m/m	0.1	-		-1.1
14:30	US	PCE Deflator SA	Dec	% m/m	0.3	-		0.0
16:00	US	Michigan index	Jan	pts	79.2	-		79.2
16:00	US	Pending Home Sales	Dec	% m/m	-1.0	-		-2.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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