

27 January 2021

Eyeopener

IMF upgrades global growth forecasts

Improvement of sentiment
After the pandemic Fitch expects fiscal consolidation in Poland
Zloty weaker despite weaker dollar
Polish yields down
Today in the evening FOMC decision

Tuesday saw a clear rebound in the global markets after the Monday's sentiment deterioration, and some companies showed better quarterly financial results. There was no major data releases or signals about nearing agreement between Republicans and Democrats on the US fiscal package. Meanwhile, in Italy the PM Conte submitted his resignation and is likely to get a chance from the president to create another majority coalition.

IMF (International Monetary Fund) upgraded world economy growth forecasts. The IMF expects that in 2021 the global GDP will equal 5.5% (vs 5.2% expected so far) and the reasons for the upgrade being: the development of the vaccine against Covid-19 and fiscal stimulus plans, also those in the US. The upgrade is mainly a result of the upgrade of the US growth forecast to 5.1% from 3.1%, while the forecasts for other economies were rather downgraded, including the Eurozone to 4.2% from 5.2%. Growth forecasts for Poland have not changed (2.7% in 2021 and 5.1% in 2022).

Fitch rating agency's main Polish economics Arvind Ramakrishnan said that after the end of the pandemic, he expects that the fiscal policy will return to the consolidation path. The agency moved lower its GG (general government) deficit in Poland to 4.9% from 5.4% in 2021 and to 3.1% from 4.0% in 2022. The expectations of GG debt for 2021 got lowered to 57.8% from 59.0%. The Fitch analyst added that he expects that the NBP will not intervene in the FX market again.

M3 money supply rose by 16.4% y/y in December vs 16.1% previously. We expected an acceleration to 16.2% while the market median forecast was at 16.3%. Deposits and cash in circulation rose slightly faster than we had assumed and faster than in November, by 13.5% y/y and 36.9% respectively (the highest pace on record, data since 1997). Household deposits were particularly strong, pushing to 10.9% y/y from 9.5%. However, instead of the usual December c.5% m/m rise in corporate deposits, we saw a decline by 0.6% m/m. Total loans corrected for fx changes went deeper into negative territory, to -1.0% y/y from -0.4%. Corporate credit declined by 7.0% y/y vs 5.5% previously. Household loans were still growing but at the slowest pace in the last 7 years, 2.8% y/y. The only category of credit to individuals which was still rising in y/y terms were mortgage loans, including PLN-denominated ones rising by 10.3% y/y.

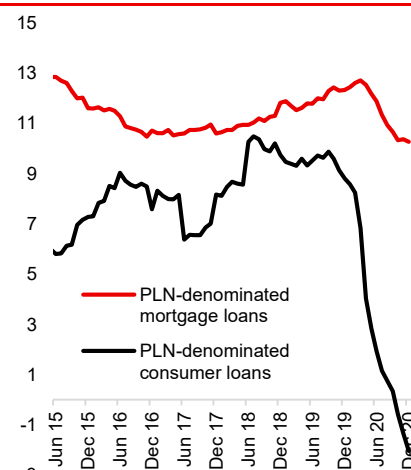
EURUSD offset yesterday almost the whole Monday drop and finished the day around 1.216. The single currency was supported by better global market sentiment.

EURPLN rose to 4.55, that is to the peak from the first week of January, below which it has been hovering since then. USDPLN rose less, to 3.74 from 3.725. After the zloty did not react to the much better-than-expected Polish data, yesterday it ignored the significant improvement of the global mood. EURPLN remains between the high and low seen in the first week of the year (4.49 and 4.56, respectively) and breaking the upper end of this range could be a trigger for further zloty weakening.

Among the **other CEE currencies**, changes were mixed. The ruble, which underperformed in the last two sessions, stabilised: USDRUB was hovering around 75.24. EURCZK tried again to break 26.0 support and yesterday's attempt was possible thanks to the Czech central bank's governor saying that rates could be hiked twice this year if economic activity will be strong enough. Forint lost vs the euro. The Hungarian central bank (MNB) left interest rates unchanged but increased its government bond purchase program. Earlier this month, MNB enlarged its corporate bond purchase program.

On the **domestic interest rate market** Tuesday's session was similar to Monday's with one difference – this time Polish bonds did not need to see core bonds strengthening to gain. Polish 10Y bond yield fell to 1.16% and the new January low was reached. This, together with higher Bund yield, pushed the 10Y PL-DE yield spread slightly below 170bp and the respective asset swap spread to nearly 0bp.

Selected credit categories, %y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.5449	CZKPLN	0.1743
USDPLN	3.7414	HUFPLN*	1.2541
EURUSD	1.2152	RUBPLN	0.0498
CHFPLN	4.2165	NOKPLN	0.4367
GBPPLN	5.1384	DKKPLN	0.6110
USDCNY	6.4664	SEKPLN	0.4497

*for 100HUF

Last session in the FX market

26.01.2021

	min	max	open	close	fixing
EURPLN	4.539	4.554	4.541	4.547	4.550
USDPLN	3.732	3.756	3.743	3.743	3.751
EURUSD	1.211	1.218	1.213	1.215	-

Interest rate market

26.01.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.06	1
DS0725 (5Y)	0.42	3
DS1030 (10Y)	1.16	-2

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.16	0	-0.55
2L	0.23	0	-0.53
3L	0.34	-2	-0.51
4L	0.50	0	-0.48
5L	0.65	0	-0.44
8L	1.00	2	-0.31
10L	1.18	0	-0.21

WIBOR rates

Term	%	Change (bps)
O/N	0.10	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	1
6x9	0.14	-1
9x12	0.15	-2
3x9	0.20	-1
6x12	0.19	-1

Measures of fiscal risk

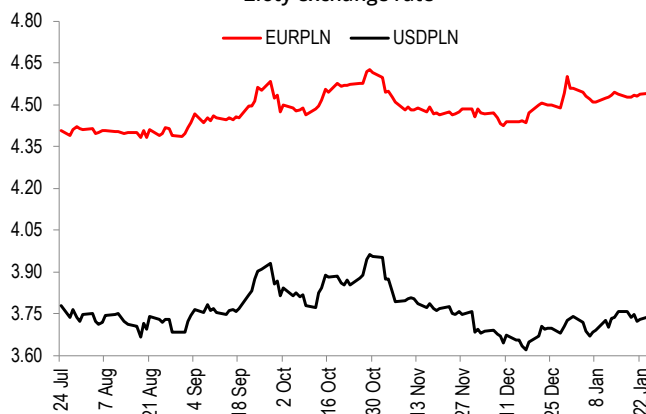
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	169
France	9	23
Hungary	64	282
Spain	43	61
Italy	64	115
Portugal	28	56
Ireland	12	31
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

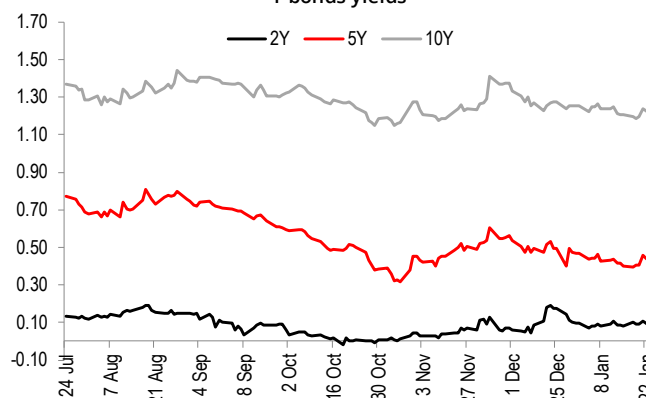
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

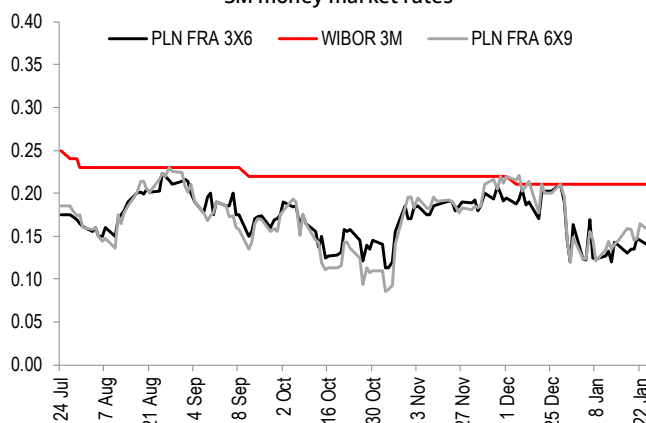
Zloty exchange rate



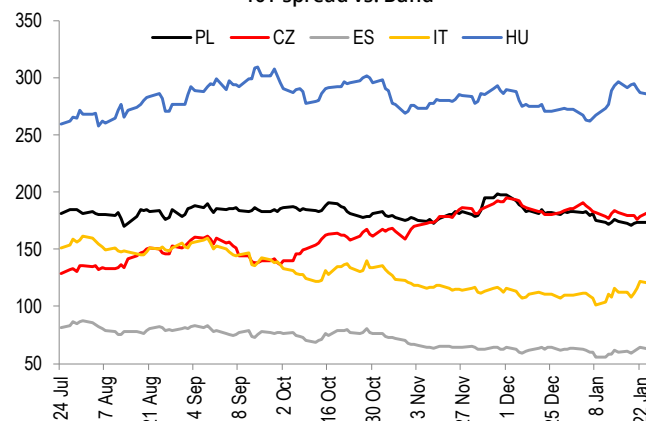
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER		
CET						VALUE	VALUE*
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	91.8	-	90.1	92.2
10:00	PL	Sold Industrial Output	Dec % y/y	8.7	8.4	11.2	5.4
TUESDAY (26 January)							
14:00	HU	Central Bank Rate Decision	%	0.6	-	0.6	0.6
14:00	PL	Money Supply M3	Dec % y/y	16.3	16.2	16.4	16.1
16:00	US	Consumer Conference Board	Jan pts	89.0	-	89.3	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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