

28 January 2021

Eyeopener

Delays in vaccine supply undermine sentiments

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FOMC did not change monetary policy parameters
Zloty slightly weaker, EURUSD strongly down
Polish bonds gain further
Today US GDP

After Tuesday's rebound, Wednesday saw another mood deterioration. The tension between EU and Astra Zeneca about the vaccine supply was in focus. The delay in supplies may delay cancelling of restrictions in Europe and such scenario was priced-in by the markets yesterday as equity prices were falling, bonds were gaining and dollar appreciated. ECB's Klass Knot said the central bank may cut the deposit rate (which is at -0.40%) even more but it did not trigger a substantial improvement of global sentiment, while having a negative pressure on the euro.

FOMC has not changed the monetary policy parameters. In the communique after the meeting the US central bankers pointed to a slowdown in growth recovery, especially in the sectors most hit by Covid-19. It was noted that the outlook depends on the vaccination rollout and the healthcare system situation. The sentence that the pandemic would weigh on the economy in the short-term and that it would pose a medium-term risk was taken out from the communique. It suggests that the central bankers are less convinced when the pandemic would end. During the press conference the Fed chair Jerome Powell underscored that it is still too early to discuss monetary policy tightening because the US economy is still far from achieving a healthy stance. He also said that FOMC would make their best so that this important but not imminent future change in the monetary policy would be accurately and orderly communicated to the markets.

Registered unemployment rate was at 6.2% in December, in line with Labour Ministry estimate. Most statistics regarding the unemployment indicate still decreased activity on the labour market. However, the number of job offers in labour offices was higher than a year ago (81.3k vs 78.4k). We expect a small rise of the unemployment rate in the coming months, mostly due to the seasonal pattern.

GUS Statistical Bulletin provided the details of the December **positive surprise with wage growth**. The rebound was broader than we thought and covered mainly these sectors that saw a very strong output (electrical appliances, textiles, wood products, furniture) – all saw wages growing by more than 10% y/y. At the same time oil and coke industry and hotels and restaurants had negative wage y/y growth. This time it was not the mining sector bonuses (usually paid in December and significantly changing the headline wage growth) that caused the surprise acceleration of wages. **Industrial new orders** still looked strong in December, growing faster than between July and October, but less than in a particularly strong November. The value of total new orders rose by 7%y/y (vs 15% previously) and export orders by 9.4% y/y (down from 20.7%).

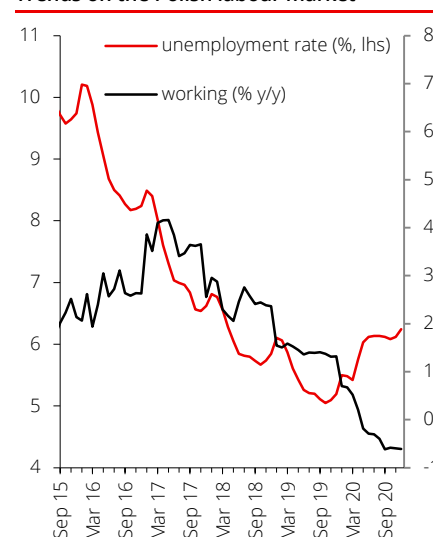
EURUSD fell yesterday by c0.7% to 1.207 and thus neutralized the upside move that took place in the previous week. The euro was pressured by deterioration of the global market mood and dovish signals from the ECB. The exchange rate neared this year's low from mid-January at 1.205 and this is the first support level.

EURPLN recorded another upside session reaching 4.555 intraday, slightly above Tuesday's peak but still below YTD high of 4.56. USDPLN rose 0.8%, temporarily to 3.774 that is the new 2021 maximum. We think EURPLN may test 4.56 in the coming days.

Among the **other CEE currencies** it was Czech koruna which fared best as it took advantage of the latest hawkish signals from the CNB. EURCZK declined temporarily to 25.94 (lowest level since March 2020) however finally the worsening global market mood took over and the pair finished the day at 26.00. EURHUF increased for a 4th session in a row and reached almost 361.0. The stronger dollar did not help the rouble either – the USDRUB reached 76.0 which constitutes an upper band of a horizontal range within which the currency pair remains since mid-December 2020.

On the **domestic interest rate market**, on Wednesday the trends from previous days were still valid. IRS were rather stable, bond yields kept falling. As a result, 10Y asset swap spread went negative. Bunds and UST gained yesterday a bit more than the Polish counterpart and so the 10Y Poland-Germany spread rose slightly, but stayed below 170bp.

Trends on the Polish labour market



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: 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	4.5501	CZKPLN	0.1740
USDPLN	3.7664	HUFPLN*	1.2624
EURUSD	1.2084	RUBPLN	0.0494
CHFPLN	4.2297	NOKPLN	0.4316
GBPPLN	5.1375	DKKPLN	0.6118
USDCNY	6.4838	SEKPLN	0.4482

*for 100HUF

Last session in the FX market

27.01.2021

	min	max	open	close	fixing
EURPLN	4.541	4.555	4.543	4.547	4.547
USDPLN	3.733	3.774	3.734	3.758	3.751
EURUSD	1.206	1.217	1.216	1.210	-

Interest rate market 27.01.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.06	-1
DS0725 (5Y)	0.42	0
DS1030 (10Y)	1.15	-1

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.16	0.19	-0.56
2L	0.24	0.19	-0.54
3L	0.34	0.25	-0.52
4L	0.49	0.37	-0.49
5L	0.64	0.49	-0.45
8L	0.97	0.86	-0.31
10L	1.15	1.03	-0.21

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	-1
3x6	0.14	-1
6x9	0.15	0
9x12	0.15	0
3x9	0.19	-1
6x12	0.20	0

Measures of fiscal risk

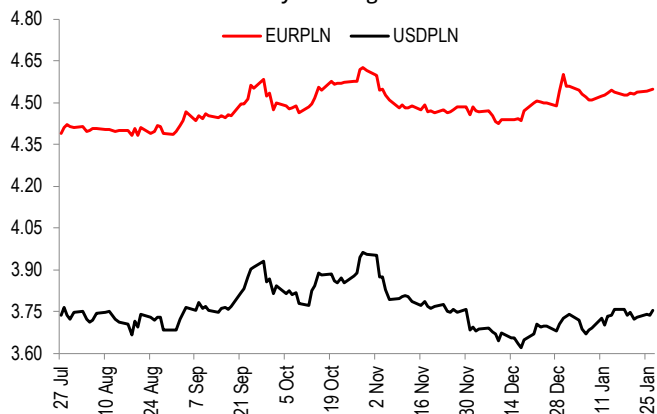
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	170
France	9	24
Hungary	64	288
Spain	43	62
Italy	64	116
Portugal	28	57
Ireland	12	33
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

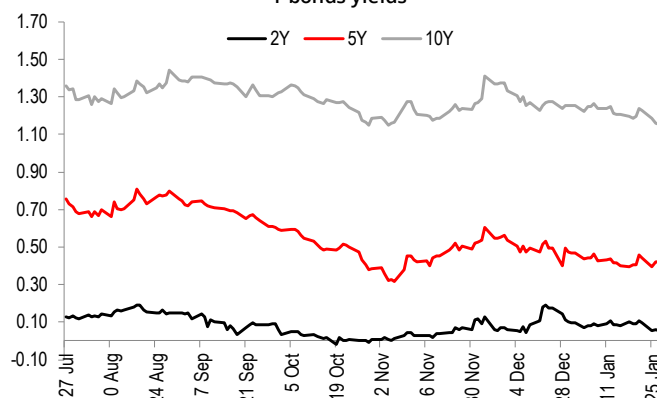
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

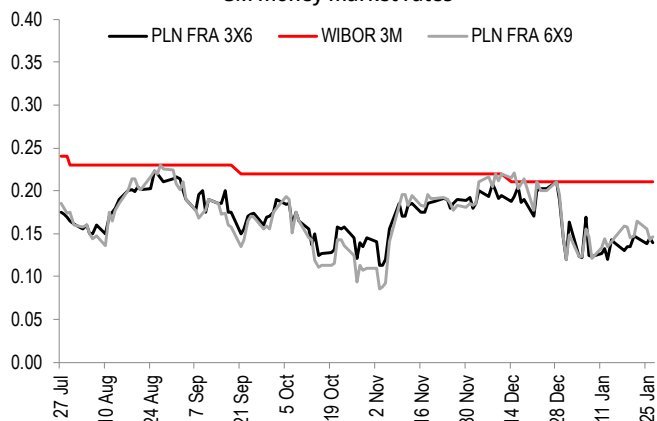
Zloty exchange rate



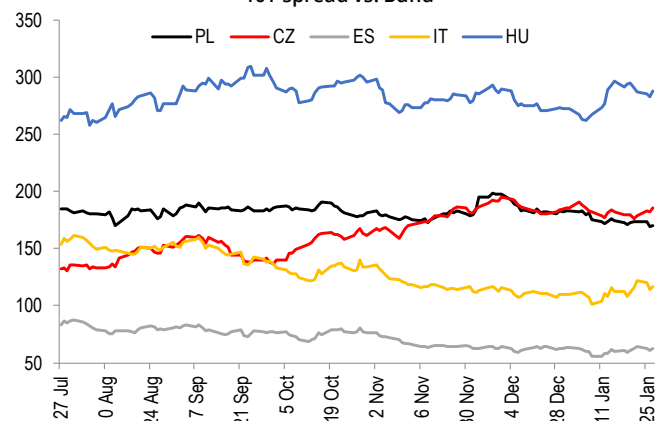
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	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	6.2	6.1
14:30	US	Durable Goods Orders	Dec	% m/m	1.0	-	0.2	0.9
20:00	US	FOMC decision	Jan.21		0.25	-	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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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.