

1 February 2021

Eyeopener

Manufacturing PMIs today

European stock markets lower at the end of last week
 Polish GDP fell 2.8% in 2020
 Zloty stronger, Polish yields lower despite core markets higher
 Today manufacturing PMIs in Poland and other countries

On Friday equity markets declined, the main European indices as much as 1.5% (biggest daily fall since October 2020) which may seem surprising given better than expected Q4 GDP data in Germany and France. In the US, on Friday, some macroeconomic data were better than expected like personal income and personal spending while others (University of Michigan consumer sentiment index) just stable. German retail sales data published today in the morning proved much weaker than expected. Also the Chinese manufacturing PMI was below forecasts.

GDP in Poland fell 2.8% in 2020, only slightly less than our forecast (-2.9). Such result implies GDP growth in 4Q20 somewhere between -2.8 and -3.1% y/y, which in s.a. terms corresponds to q/q drop slightly smaller than 1%. Private consumption fell 3% in 2020 and it looks that the drop in 4Q could have been the same (which would be much better than we had anticipated). Fixed investments dropped 8.4% in 2020 and probably nearly 11% y/y in 4Q (more or less in line with our view). Overall, the second wave of Covid-19 pandemic apparently did have much smaller impact on economic activity than in the spring 2020, which was in line with expectations. At the same time, it is quite obvious that this impact will last longer, as economic restrictions were extended well into 1Q21. The economic scenario for 2021 depends heavily on the success and pace of the vaccination program. We still believe there is a chance for a strong economic revival in 2H21, given that by the late summer the large part of uncertainty regarding future lockdowns is removed. See more in the [Economic Comment](#).

EURUSD on Friday after opening at 1.214 fell to 1.210 after which it rebounded back to the opening level. The EURUSD seems to remain within a horizontal trading range since the beginning of January. The fact that USD might be oversold suggests that the EURUSD might rather move towards the 100 day moving average level at 1.196.

EURPLN fell significantly on Friday while the move itself started even before the publication of the GDP data. The daily fall stood at -0.4% (from 4.541 to 4.524).

As to the **other CEE regional currencies**, EURCZK fell to 26.0 by 0.3% after the recent communication from the CNB suggest rate hikes are possible this year. EURHUF also declined by 0.4% (to 357.4). USDRUB on Friday closed only slightly below the opening level at 75.7 however the daily price range was pretty wide at 1.5%.

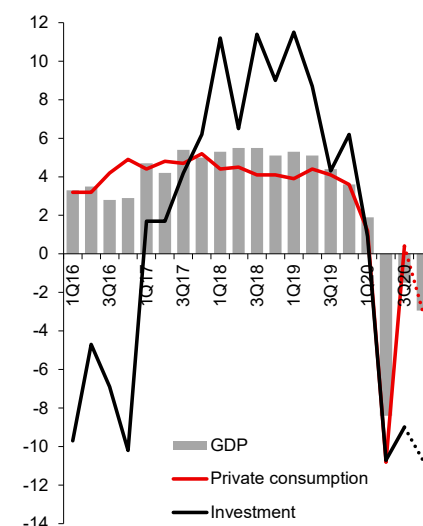
On the **domestic interest rate market** IRS were on the rise along the curve for the second day in a row, 2Y +2bp to 0.28%, 10Y +3bp to 1.21%. Long-term bond yields were declining, moving in the opposite direction to the IRS and core bond yields.

According to Ministry of Finance data, the **share of foreign investors** in Polish bonds rose by PLN1.4bn to PLN133.9bn or by 0.1pp to 17.1%. At the end of January, financial means on budgetary accounts amounted to PLN95bn (a rise versus PLN70.4bn at the end of December).

In February **the Finance Ministry plans** one switching tender (4 February – Thursday) and one regular auctions (18 February – Thursday). Meanwhile, the NBP scheduled to purchase bonds on 17 February (Wednesday). On the switching auction, the Ministry plans to buy bonds PS0421, OK0521, PS0721, DS1021 and sell OK0423, PS0425, WZ1126, DS1030, WZ1131. During the regular auction the Ministry plans to sell OK0423, PS1026, DS1030, WZ1126 and WZ1131 worth PLN4-7bn..

This week the focus will most likely remain on news about the vaccination rollout. In the local calendar there are only two events worth mentioning: the January manufacturing PMI (Monday) and the MPC meeting (Wednesday). As usual in January, flash CPI estimate will not be published due to changes in the CPI basket weights. Abroad, there will be much more to watch: apart from PMI and ISM indexes we will also get to see the euro zone inflation (flash readings from several countries have strongly surprised to the upside) and US labour market data.

Polish GDP growth, % y/y



Source: European Commission, Santander

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FX market

Today's opening

EURPLN	4.5237	CZKPLN	0.1724
USDPLN	3.7315	HUFPLN*	1.2531
EURUSD	1.2124	RUBPLN	0.0494
CHFPLN	4.1789	NOKPLN	0.4333
GBPPLN	5.1218	DKKPLN	0.6074
USDCNY	6.4602	SEKPLN	0.4449

*for 100HUF

Last session in the FX market

29/01/2021

	min	max	open	close	fixing
EURPLN	4.516	4.544	4.540	4.520	4.539
USDPLN	3.718	3.756	3.751	3.724	3.746
EURUSD	1.210	1.216	1.210	1.213	-

Interest rate market

29/01/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.06	0
DS0725 (5Y)	0.46	0
DS1030 (10Y)	1.16	-2

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.18	0.18	-0.56
2L	0.28	0.18	-0.54
3L	0.40	0.25	-0.52
4L	0.55	0.38	-0.48
5L	0.70	0.52	-0.44
8L	1.03	0.92	-0.29
10L	1.21	1.11	-0.19

WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
T/N	0.10	0
SW	0.11	0
2W	0.16	-1
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	0.18	3
6x9	0.18	1
9x12	0.18	-1
3x9	0.22	2
6x12	0.21	-1

Measures of fiscal risk

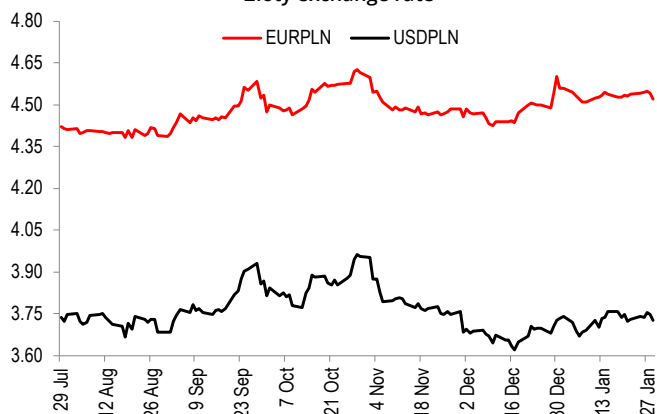
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	168
France	9	25
Hungary	64	290
Spain	43	62
Italy	63	117
Portugal	28	56
Ireland	12	32
Germany	9	-

* 10Y treasury bonds over 10Y Bunds

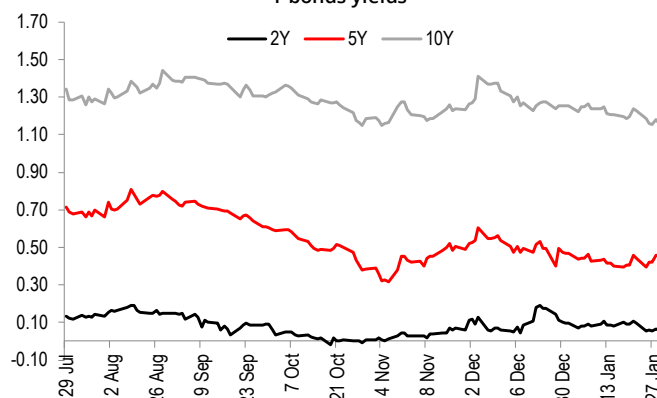
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

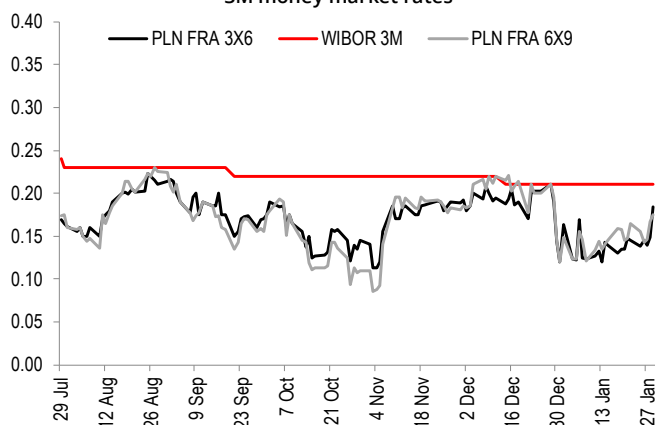
Zloty exchange rate



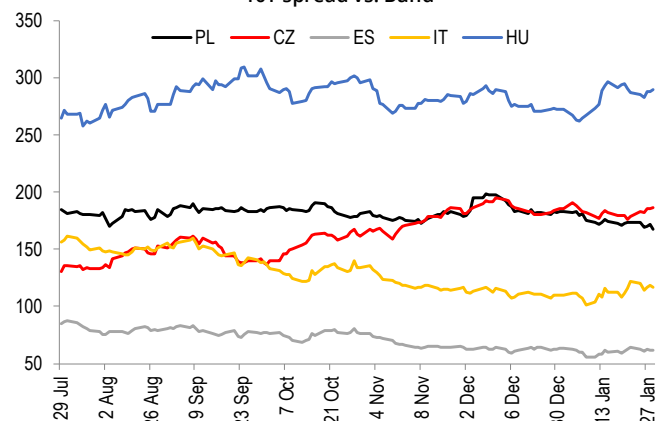
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
			MARKET	SANTANDER				
FRIDAY (29 January)								
08:00	DE	GDP WDA	4Q	% y/y	-4.0		-3.9	-4.0
10:00	PL	GDP	Jul.05	% y/y	-2.7	-2.9	-2.8	4.5
14:30	US	Personal Spending	Dec	% m/m	-0.4		-0.2	-0.4
14:30	US	Personal Income	Dec	% m/m	0.1		0.6	-1.1
14:30	US	PCE Deflator SA	Dec	% m/m	0.3		0.4	0.0
16:00	US	Michigan index	Jan	pts	79.4		79.0	79.2
16:00	US	Pending Home Sales	Dec	% m/m	-0.5		-0.3	-2.6
MONDAY (1 February)								
	DE	Retail Sales	Dec	% m/m	-2.2		-9.6	1.9
09:00	PL	Poland Manufacturing PMI	Jan	pts	51.3	51.0	-	51.7
09:55	DE	Germany Manufacturing PMI	Jan	pts	57.0		-	57.0
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	54.7		-	54.7
11:00	EZ	Unemployment Rate	Dec	%	8.3		-	8.3
16:00	US	ISM manufacturing	Jan	pts	59.9		-	60.7
TUESDAY (2 February)								
09:00	CZ	GDP SA	4Q	% y/y	-7.2		-	-5.0
11:00	EZ	GDP SA	4Q	% y/y	-		-	-4.3
WEDNESDAY (3 February)								
	PL	MPC decision		%	0.1	0.1	-	0.1
02:45	CN	Caixin China PMI Services	Jan	pts	55.5		-	56.3
09:55	DE	Markit Germany Services PMI	Jan	pts	46.8		-	46.8
10:00	EZ	Eurozone Services PMI	Jan	pts	45.0		-	45.0
11:00	EZ	Flash HICP	Jan	% y/y	0.2		-	-0.3
14:15	US	ADP report	Jan	k	50.0		-	-123.0
16:00	US	ISM services	Jan	pts	56.8		-	57.5
THURSDAY (4 February)								
11:00	EZ	Retail Sales	Dec	% m/m	-		-	-6.1
14:30	US	Initial Jobless Claims		k	-		-	847.0
14:30	CZ	Central Bank Rate Decision	Feb.21		0.25		-	0.25
16:00	US	Durable Goods Orders	Dec	% m/m	-		-	0.2
16:00	US	Factory Orders	Dec	% m/m	0.8		-	1.0
FRIDAY (5 February)								
08:00	DE	Factory Orders	Dec	% m/m	-2.0		-	2.3
09:00	HU	Industrial Production SA	Dec	% y/y	0.0		-	1.6
14:30	US	Change in Nonfarm Payrolls	Jan	k	50.0		-	-140.0
14:30	US	Unemployment Rate	Jan	%	6.7		-	6.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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