4 February 2021

Eyeopener

Monetary policy unchanged

MPC kept interest rates and the communique unchanged
Improved sentiment on global financial markets
Zloty ended the gains streak, bonds weaker following core markets
Today, retail sales in the euro zone, central bank decision in Czechia

On Wednesday, optimism was seen on stock markets thanks to rising prices of tech companies. Almost all EM currencies gained. The dollar strengthened vs the basket of developed markets currencies by 0.2%. Bond yieds on core markets were still on the rise, Bund up 1bp to -0.47% and UST up 2bp to 1.12%. Commodities got more expensive: Brent oil by 1% (to US$58 per barrel), silver by 2% (to US26.9/oz). Gold price was unchanged. In Italy, the president Sergio Mattarella asked Mario Draghi, ex-ECB chairman to form a new government. January services PMI showed higher readings in developed economies but were mixed in emerging countries – Russian index went up by 4 pts to 52.3, but the Chinese and Brazilian ones decreased by a similar amount. Euro zone flash inflation reading was much above expectations and US labour market data indicated an ongoing gradual improvement.

Polish MPC kept interest rates on hold, as expected. The official press release has barely changed versus its January version. The central bank repeated the view that the economy should be reviving in 2021, the pace of recovery will depend on pandemic situation and may be slowed by the lack of major zloty depreciation. They also repeated that the NBP may use FX interventions to reinforce monetary transmission. Basically, it shows no indication whatsoever that the Council's view about monetary policy outlook is changing. More interesting could be the NBP President's videoconference scheduled on Friday 14:00 CET. We still think that the main interest rates will remain on hold at least until early 2022. In March the NBP will release the new inflation projection and in our view it will show a major upward revision of GDP forecast, at least for 2021. At the same time, its inflation forecast should remain near or slightly above the 2.5% target. No reason to cut interest rates, in our view.

PM Mateusz Morawiecki said that the **budget deficit in 2020** amounted to PLN 84bn (around PLN 25bn less than was planned in the budget amendment), which implies that in December 2020 alone the deficit increased by a record PLN 71bn. The central budget balance in 2020 stood at 3.6% of GDP. The whole public finance deficit was in 2020 however at least twice as wide due to pushing out of anti-crisis measures into the government agencies and units.

EURUSD has not changed much on Wednesday looking at close vs close (1.203) however during the day traded as high as 1.205 and as low as 1.200.

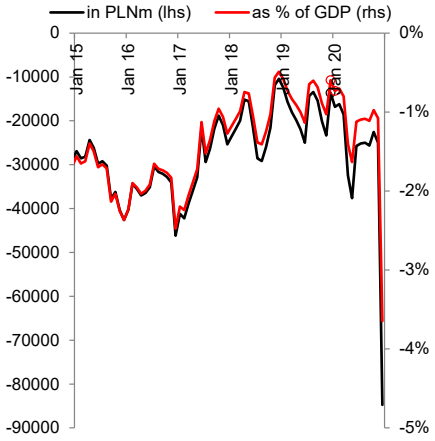
EURPLN opened at 4.48 and soon was testing 4.475 again (first attempt on Tuesday) but again without success. In the second part of the day, the exchange rate rebounded to 4.495 and closed the day 0.3% above the opening. Today in the morning, EURPLN was slightly above 4.48.

In case of the **other CEE currencies**, as we expected EURHUF was consolidating after it approached the 200-day moving average (355.5) and this shall last a couple of days. One day before the Czech central bank decision, EURCZK rose 0.2% to 25.93 and shall likely trade flat until rate announcement today at 14:30CET. USDRUB was also roughly stable since it ease 0.3% to 75.9.

On the **Polish interest rate market** there were no important changes after the MPC decision, with 5Y IRS still oscillating close to 0.72%. 10Y bonds started the day slightly below and 10Y yield ended the day at 1.20%.

Yesterday the **Polish Development Fund (PFR) issued 9Y bonds** PFR0330B worth PLN1.25bn. Total issuance of PFR bonds for Covid programmes amounted to PLN71.9 so far. A T-bonds switching tender is scheduled for today.

Central budget balance, 12m moving sum



Source: MF, Santander

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FX market

Today's opening

EURPLN	4.4847	CZKPLN	0.1716
USDPLN	3.7362	HUFPLN*	1.2607
EURUSD	1.2007	RUBPLN	0.0493
CHFPLN	4.1475	NOKPLN	0.4340
GBPPLN	5.0781	DKKPLN	0.6029
USDCNY	6.4603	SEKPLN	0.4432

*for 100HUF

Last session in the FX market 03/02/2021

	min	max	open	close	fixing
EURPLN	4.470	4.495	4.481	4.482	4.491
USDPLN	3.713	3.743	3.720	3.727	3.735
EURUSD	1.200	1.204	1.204	1.202	-

Interest rate market 03/02/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.07	1
DS0725 (5Y)	0.45	-1
DS1030 (10Y)	1.21	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.18	1	0.19	0	-0.55	0
2L	0.29	1	0.19	0	-0.52	1
3L	0.43	1	0.28	1	-0.50	1
4L	0.58	2	0.41	1	-0.46	1
5L	0.74	2	0.57	3	-0.41	2
8L	1.07	2	0.99	4	-0.25	2
10L	1.25	2	1.19	5	-0.14	3

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.09	0
SW	0.11	0
2W	0.16	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	0.19	1
3x6	0.17	2
6x9	0.17	1
9x12	0.18	1
3x9	0.22	2
6x12	0.22	-1

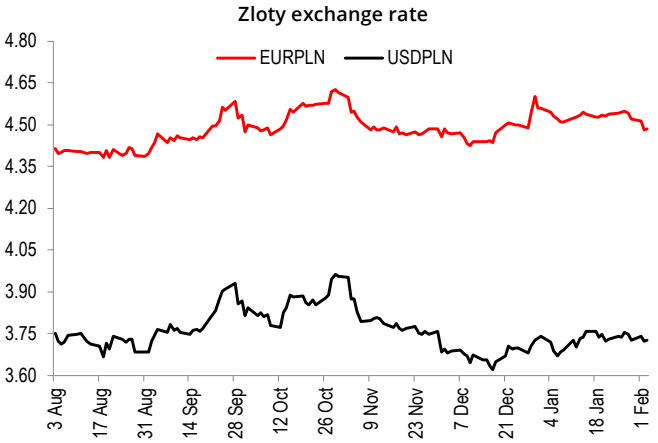
Measures of fiscal risk

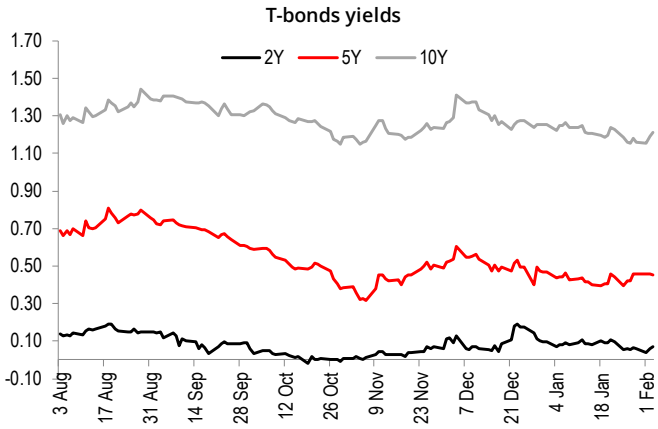
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	168	0
France	9	0	23	-3
Hungary	64	0	298	-1
Spain	43	0	59	-1
Italy	57	-4	106	-8
Portugal	28	0	52	-2
Ireland	12	0	32	0
Germany	9	0	-	-

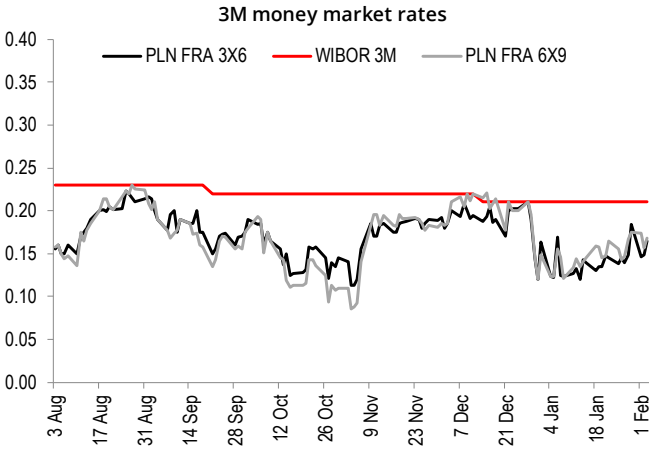
* 10Y treasury bonds over 10Y Bunds

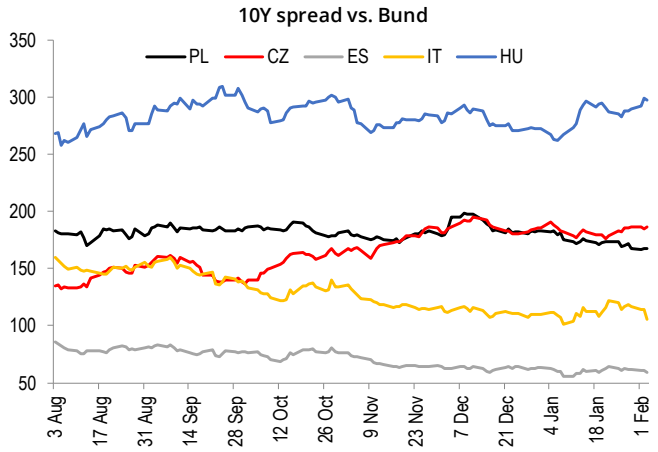
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream









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Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			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**	**51.9**	**51.7**
09:55	DE	Germany Manufacturing PMI	Jan	pts	57.0		57.1	57.0
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	54.7		54.8	54.7
11:00	EZ	Unemployment Rate	Dec	%	8.3		8.3	8.3
16:00	US	ISM manufacturing	Jan	pts	59.9		58.7	60.7
			TUESDAY (2 February)					
09:00	CZ	GDP SA	4Q	% y/y	-7.6		-5.0	-5.0
11:00	EZ	GDP SA	4Q	% y/y	-5.3		-5.1	-4.3
			WEDNESDAY (3 February)					
	PL	**MPC decision**		**%**	**0.1**	**0.1**	**0.1**	**0.1**
02:45	CN	Caixin China PMI Services	Jan	pts	55.5		52.0	56.3
09:55	DE	Markit Germany Services PMI	Jan	pts	46.8		46.7	46.8
10:00	EZ	Eurozone Services PMI	Jan	pts	45.0		45.4	45.0
11:00	EZ	Flash HICP	Jan	% y/y	0.6		0.9	-0.3
14:15	US	ADP report	Jan	k	75.0		174.0	-123.0
16:00	US	ISM services	Jan	pts	56.7		58.7	57.2
			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
14:00	PL	NBP Minutes	Jan					
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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