

8 February 2021

Eyeopener

NBP head excludes neither rate cuts nor hikes

NBP governor spoke about rate cuts and hikes
Zloty stronger after Adam Glapiński's video conference
Domestic yields and IRS rates went further up
Today German and Czech industrial output

Since the start of the last week's last session the market sentiment was quite positive. Stock market indices in Europe were rising, which was putting a pressure on core markets bonds, and the dollar was depreciating. After positive signals from the US labour market earlier that week, investors were hoping to see a clear improvement in the government employment report in January after weak December. Positive for moods was also the US Senate's support for Joe Biden's fiscal plan worth USD1.9tn. In January the non-farm payrolls rose by 46k, slightly less than expected, but the December's reading has been revised clearly lower (from -140k to -227k). Unexpectedly, the unemployment rate has decreased, though.

PM Morawiecki announced **loosening of some epidemic restrictions**. From 12 February hotels, cinemas, theatres and philharmonics will be open for 50% of audience for 2 weeks. Swimming pools and ski slopes will also open. Restaurants and fitness clubs will remain closed.

The **NBP president Adam Glapiński** said on Friday that interest rate stabilisation is still the most probable scenario. He added that NBP rates could go down and that probability of such a move did not change recently and depends on the upcoming data. Glapiński stressed that also a hike could not be ruled out. This comes as a change of Glapiński's rhetoric as compared to the last conference from mid-January, when said it is difficult to speak about conditions necessary to hike rates. A cut would be possible should economic outlook deteriorate, but NBP president expects a revival. Glapiński reiterated that the central bank does not target a certain exchange rate level, but interventions could be repeated. The general message of the Friday conference shows that rate cut probability is low and core scenario for the upcoming years is a stabilisation.

January **MPC meeting minutes** pointed to the increase in the uncertainty regarding the recovery pace in Poland in 2021 due to the pandemic. It was assessed that the zloty appreciation pressure from the end of the 2020 was a result of further monetary policy easing by major central banks vs no such action in Poland; the NBP FX interventions diminished the risk of pro-cyclical currency appreciation. According to most of the MPC members, further loosening of monetary policy in Poland would be possible in case of clear further worsening in business conditions and the economic outlook.

EURUSD on Friday broke Thursday minimum straight at the start of the session printing a fresh 2021 low of 1.195 however the currency pair rebounded in the following hours. As a result the series of four consecutive falls came to an end. On Friday the reason for the bounce back higher might have been the US labour market data which have not surprised much to the upside. At the end of the day EURUSD was at 1.20.

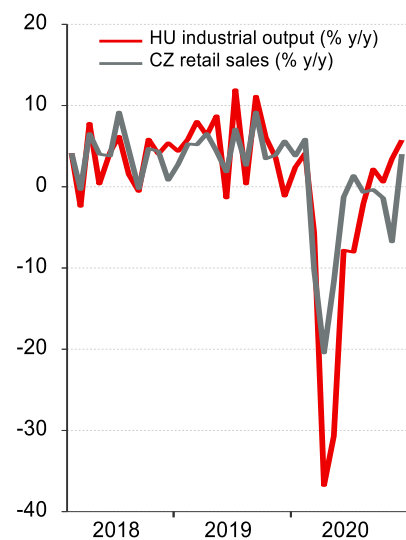
EURPLN hovered around 4.50 awaiting NBP Adam Glapiński's video conference. The mention of the possibility of rate hikes and the lack of categorical objection regarding the fx mortgages issue have had a positive impact on zloty. EURPLN declined to 4.485. USDPLN declined to 3.73 from 3.76, also thanks to the higher EURUSD

In case of the **other CEE currencies**, the forint lost while the koruna and the ruble gained. The Czech currency was still under the positive impact of the hawkish signals from the central bank after the Thursday's meeting. Additionally, on Friday the much better-than-expected Czech retail sales data were released – unexpectedly, sales rose y/y despite closed stores. The ruble was supported by the weaker dollar and rising oil price. EURHUF rose for the second day in a row on Friday and reached 356 (it broke 357 this morning). The better than expected Friday's industrial output reading failed to boost the Hungarian currency.

On the domestic **interest rate market**, Friday saw a continuation of the Thursday's upside move of yields and IRS. Bonds lost at a similar scale like on Thursday while in the case of IRS the move was larger, by 7-10bp along the curve. As a result, the 5Y rate broke 0.85%, 10Y 1.35% – both at their highest levels since March 2020. The 10Y asset swap spread fell further below zero to -9bp. On the core market yields were rising as well but less than in Poland and so the 10Y PL-DE bond yield spread returned above 170bp. FRAs also moved clearly up on Friday.

This week we will see data from Germany, Czechia, euro zone and USA while in Poland we will see only flash 4Q20 GDP. We assume that in the coming days the zloty could remain stable close to the current levels. In case of bonds, long-term yields could rise further while room for higher rates on the front end looks to be limited.

Czech and Hungarian data



Source: Refinitiv Datastream, Santander Bank Polska

Source: GUS, Eurostat, Santander

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FX market

Today's opening

EURPLN	4.4826	CZKPLN	0.1737
USDPLN	3.7256	HUFPLN*	1.2475
EURUSD	1.2036	RUBPLN	0.0502
CHFPLN	4.1392	NOKPLN	0.4365
GBPPLN	5.1148	DKKPLN	0.6028
USDCNY	6.4568	SEKPLN	0.4441

*for 100HUF

Last session in the FX market

05.02.2021

	min	max	open	close	fixing
EURPLN	4.483	4.504	4.498	4.487	4.498
USDPLN	3.725	3.766	3.760	3.729	3.755
EURUSD	1.196	1.204	1.196	1.203	-

Interest rate market 05.02.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.13	5
DS0725 (5Y)	0.49	2
DS1030 (10Y)	1.27	3

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.22	0.19	-0.54
2L	0.38	0.19	-0.52
3L	0.54	0.27	-0.49
4L	0.71	0.42	-0.45
5L	0.89	0.58	-0.40
8L	1.22	1.02	-0.23
10L	1.38	1.23	-0.11

WIBOR rates

Term	%	Change (bps)
O/N	0.10	2
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	0.21	0
3x6	0.19	3
6x9	0.22	5
9x12	0.26	7
3x9	0.26	5
6x12	0.26	0

Measures of fiscal risk

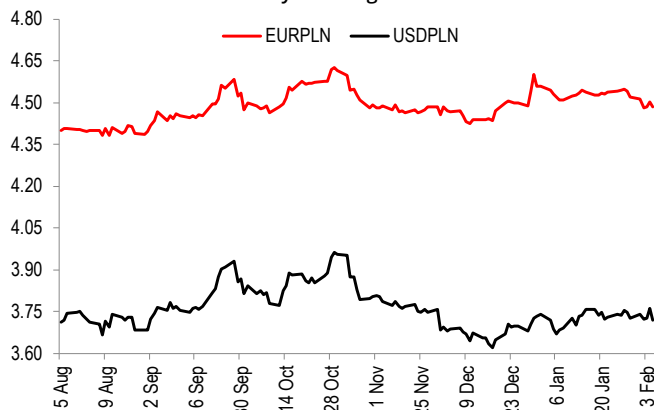
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	171
France	8	22
Hungary	64	295
Spain	42	58
Italy	53	99
Portugal	28	51
Ireland	12	31
Germany	9	-

* 10Y treasury bonds over 10Y Bunds

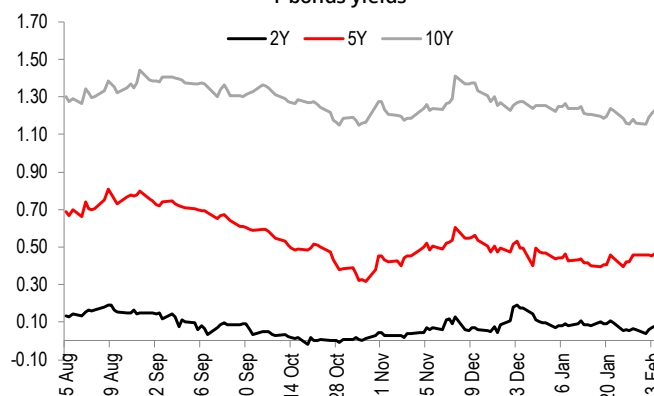
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

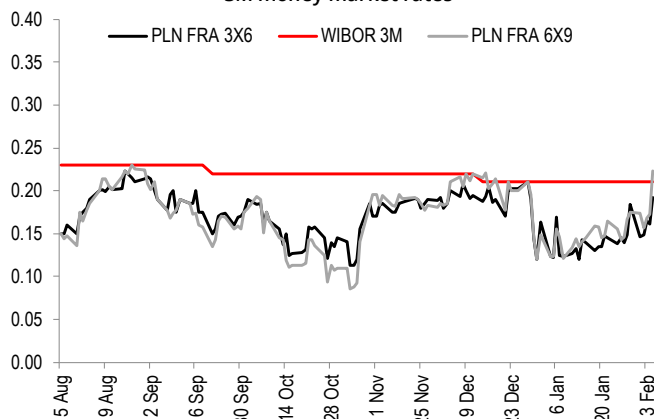
Zloty exchange rate



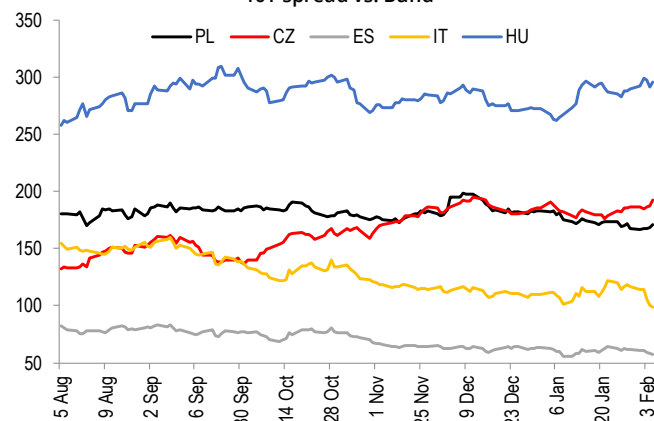
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar								
TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (5 February)								
08:00	DE	Factory Orders	Dec	% m/m	-1.0	-	-1.9	2.7
09:00	HU	Industrial Production SA	Dec	% y/y	2.0	-	5.8	3.4
14:30	US	Change in Nonfarm Payrolls	Jan	k	50	-	49	-227
14:30	US	Unemployment Rate	Jan	%	6.7	-	6.3	6.7
MONDAY (8 February)								
08:00	DE	Industrial Production SA	Dec	% m/m	0.0	-	0.0	1.5
09:00	CZ	Industrial Production	Dec	% y/y	5.8	-		-2.2
TUESDAY (9 February)								
08:00	DE	Exports SA	Dec	% m/m	0.0	-		2.3
WEDNESDAY (10 February)								
08:00	DE	HICP	Jan	% m/m	1.4	-		1.4
14:30	US	CPI	Jan	% m/m	0.4	-		0.4
THURSDAY (11 February)								
14:30	US	Initial Jobless Claims	week	k	830	-	-	779
FRIDAY (12 February)								
09:00	CZ	CPI	Jan	% y/y	1.7	-		2.3
09:00	HU	CPI	Jan	% y/y	0.0	-		2.7
10:00	PL	GDP	4Q	% y/y	-3.0	-2.9		-1.5
16:00	US	Flash Michigan index	Feb	pts	80.5	-		79.0

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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