

9 February 2021

Eyeopener

IMF's praise of support and further suggestions

Positive sentiment at the start of the week

IMF recommends broader fiscal support, does not support fx interventions

Zloty slightly stronger, EURUSD rebounded

Debt market still quite volatile

At the start of the week the global market mood was pretty decent. Markets are increasingly pricing in the scenario of swift approval of Joe Biden's fiscal plan. Treasury secretary Janet Yellen said that with the help of a big enough fiscal package the US economy can reach a full employment already in 2022. As a result the stock indices gained, while core market bonds prices were under pressure for most of the day. The dollar lost, which supported EM currencies and commodities. The December exports in Germany surprised to the upside by not having declined on a m/m basis.

MPC member Eryk Łon said that it is likely that in 2021 there would be no need for interest rate cuts. He added that, if the situation deteriorated a lot, then not only rates would have to be cut but the QE program would need to be extended to other asset classes. In his opinion, interest rates should be kept at the current level till the end of the MPC term. **Grazyna Ancyparowicz** said that there are no reasons to expect the inflation rate rising above the NBP inflation target at 2.5%.

IMF presented the report about Poland, in which it has maintained the GDP growth forecast at 2.7% in 2021 and 5.1% in 2022 (our forecast: 4.6% and 3.9%, respectively). Inflation forecast for 2021 has been lifted from 2.4% to 2.6%, and for 2022 kept at 2.2%. Fiscal deficit was estimated at 8.4% of GDP in 2020, 5.1% in 2021 and 2.5% in 2022 (previously: 8.9%, 4.6% and 2.7%; we see 2021 at 5.9%, 2022 at 3.9%). The report includes recommendations for economic policies, among others using the available large fiscal space to extend the current support to sectors not affected directly by the pandemic. Monetary policy should remain in the current shape, according to the Fund, until the economic recovery strengthens, inflation rise – if based on the supply-side factors – may be tolerated and any potential easing should be based on QE extension (only if it turns out ineffective the NBP should think about FX interventions, but providing a clear communication of its intentions). IMF recommends to change the banking tax to another instrument in time of post-pandemic recovery, as it distorts the credit supply. Going forward, the redirection of policies towards facilitating labour force adjustment will be important (change of skills, changing professions), as well as companies' adjustment to the new reality (restructuring, liquidation, setting up new businesses).

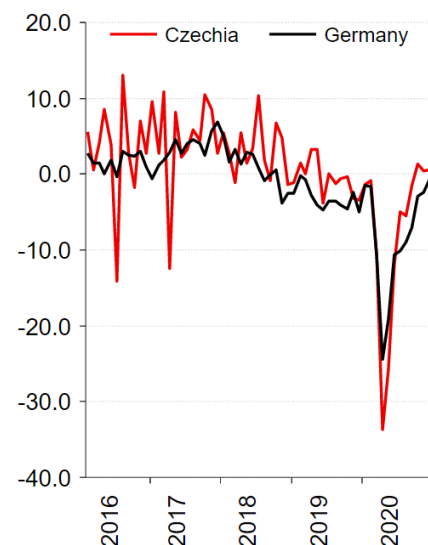
EURUSD was long stable around 1.203 and only in the final hours of the session it started to move up following rising stock indexes. The exchange rate set the daily peak at 1.206 and is above this level today in the morning. After the Friday's session, the down correction of EURUSD observed since the beginning of the year was nearly equal in price to the down move seen in September-October. If the current correction does not go deeper (the exchange rate stays above 1.195) in the coming days, this will suggest there are higher chances for the EURUSD upside trend to be resumed.

EURPLN fell to 4.474 and **USDPLN** to 3.71 owing to the rising stock indexes and EURUSD. The former was hovering for the half of the day near last week's close and then fell to the last week's lows while the latter reached its fresh February low.

As for the **other CEE fx**, the forint underperformed again while the koruna and the ruble gained. Last week, EURHUF was trading close to its 200-day moving average currently at c355 but did not break it. Apparently already on Friday this triggered some profit taking from the 3% January's drop. Yesterday, the fx pair closed above 358. Meanwhile, EURCZK continued the down trend started in January that has gained momentum in February after 26 support was broken. Yesterday, the exchange rate reached nearly 25.6. Further rise of the oil price and weaker dollar supported the ruble – USDRUB fell 0.4% to 74.2.

On the Polish **interest rate market**, bonds were following the core markets, yet at a smaller scale. Since the start of the session domestic debt was under pressure and 10Y bond recorded a new local high at 1.30%. In the second part of the day bonds managed to make up for earlier losses and ended the day near to Friday closing level. 5 and 10Y IRS rates went down by 1-2bps. 10Y Poland-Germany bond spread remained close to 170bps.

Czech and German industrial output (% y/y)



Source: Refinitiv Datastream, Santander Bank Pol

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FX market

Today's opening

EURPLN	4.4753	CZKPLN	0.1740
USDPLN	3.7054	HUFPLN*	1.2476
EURUSD	1.2077	RUBPLN	0.0501
CHFPLN	4.1339	NOKPLN	0.4370
GBPPLN	5.1052	DKKPLN	0.6016
USDCNY	6.4493	SEKPLN	0.4428

*for 100HUF

Last session in the FX market

08.02.2021

	min	max	open	close	fixing
EURPLN	4.472	4.490	4.481	4.476	4.487
USDPLN	3.708	3.734	3.724	3.716	3.730
EURUSD	1.202	1.207	1.204	1.204	-

Interest rate market 08.02.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.15	2
DS0725 (5Y)	0.48	-1
DS1030 (10Y)	1.26	-1

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.22	0	-0.54
2L	0.37	-1	-0.51
3L	0.53	-1	-0.49
4L	0.69	-2	-0.44
5L	0.86	-3	-0.40
8L	1.21	-1	-0.23
10L	1.36	-2	-0.11

WIBOR rates

Term	%	Change (bps)
O/N	0.08	-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	0.20	0
3x6	0.20	0
6x9	0.23	0
9x12	0.26	0
3x9	0.26	0
6x12	0.27	1

Measures of fiscal risk

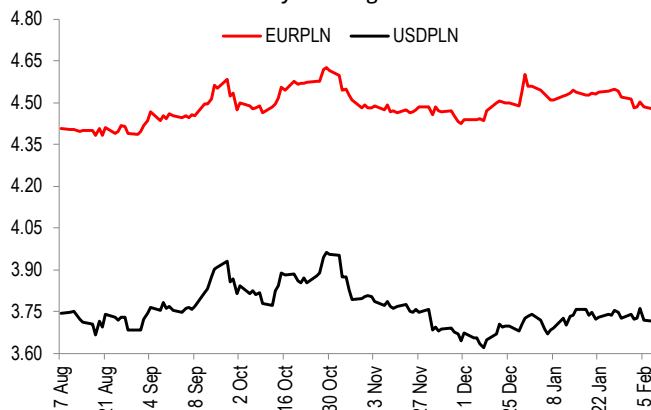
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	170
France	8	22
Hungary	64	295
Spain	41	57
Italy	51	96
Portugal	25	51
Ireland	11	32
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

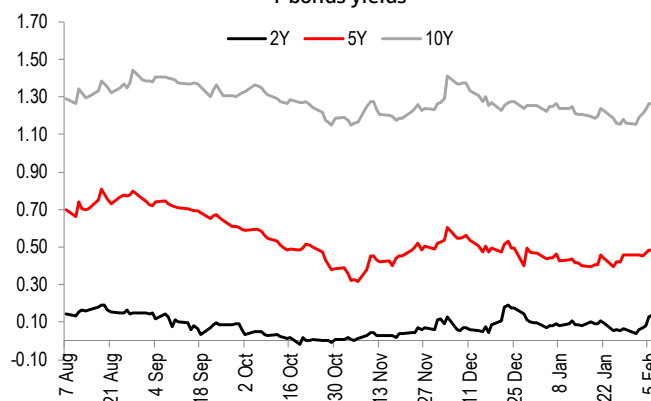
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

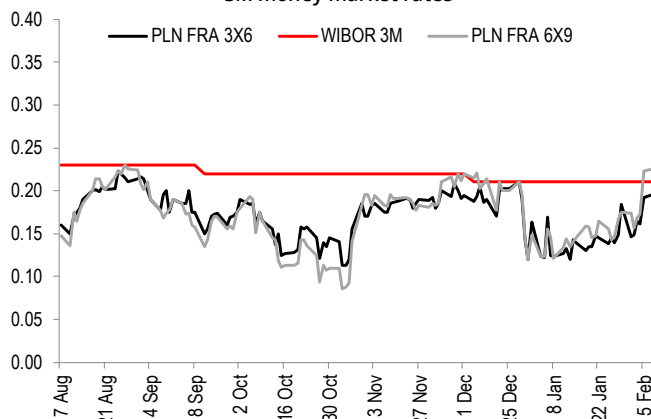
Zloty exchange rate



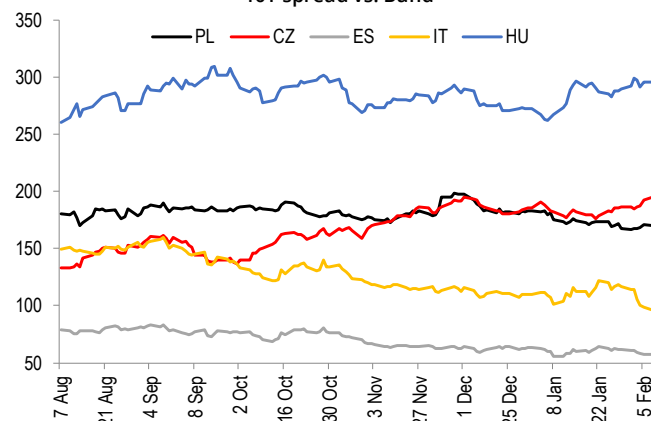
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (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	0.3	-	0.0	1.5
09:00	CZ	Industrial Production	Dec	% y/y	1.5	-	0.5	0.4
TUESDAY (9 February)								
08:00	DE	Exports SA	Dec	% m/m	-1.0	-	-	2.2
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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