

12 February 2021

# Eyeopener

## EC: economic rebound stronger but later

Markets remain quiet

European Commission lowered EU growth forecasts for 2021, raised 2022 ones

Zloty a tad weaker, EURUSD still rising

Domestic debt stable

Today Polish flash GDP for 4Q, inflation in CEE countries

On Thursday markets were under influence of last dovish signals from the USA: lower than expected inflation and Fed chair's words that it is too early to reduce support for the US economy. Weekly initial jobless claims fell less than expected and it underpinned this statement, putting an additional pressure on the dollar and helping stock indices stay close to local peaks.

According to the newest **European Commission forecasts**, the short term economic outlook is worse than indicated in the Autumn round of forecasts, however the long term economic outlook improved due to start of the vaccination process. As a result, 2021 GDP growth forecast of EU countries went mostly down, while 2022 GDP forecasts went up. According to EC the level of uncertainty remains elevated yet slightly lower than during the Autumn forecasting round. The economic growth might prove better than expected in case vaccination progress and withdrawal from restrictions is faster than initially assumed. The launch of the Next Generation EU (the new financial plan) might also contribute to better growth, the EC says. Negative risks to growth include slow pace of vaccinations and long-lasting pandemic as well as the emergence of deep negative consequences of the pandemic like bankruptcies and layoffs. Polish 2021 GDP growth forecast went down to 3.1% from 3.3%, but 2022 growth was increased to 5.1% from 3.5%, it is worth noting that the forecasts do not include the impact of the Next Generation EU package. As for the inflation, the 2021 HICP figure was moved up to 2.3% from 2.0%, while the one for 2022 went down to 2.9% from 3.1%.

**EURUSD** broke slightly the Wednesday peak, approached 1.215 and reached a new February maximum. Friday, similarly as previous days of the passing week, is rather empty as regards market-moving data. At the end of the day we will get to see flash Michigan in February, but this is unlikely to trigger major changes. We think that at the end of the week EURUSD will stay elevated.

**EURPLN** broke 4.50 yesterday, and was above this level at the end of the session and is above today in the morning. USDPLN was hovering around 3.71. Today's Poland flash 4Q20 GDP is unlikely to deviate much from the consensus and should be thus market neutral.

Elsewhere in the **CEE** region, EURHUF and EURCZK were hovering between their Wednesday's peaks and lows. The former rose 0.3% to above 357.5 and the latter ended the day at 25.75, roughly flat on daily basis. After the end of the European session, EURHUF moved further up to 358.5 at today's opening. The ruble continued to gain – USDRUB fell 0.3% to 73.6, its new February low.

On the Polish **interest rate market** changes were again small, IRS and bond yields were hovering near Wednesday's close levels. IRS curve steepened further. Also 10Y UST (1.15%) did not move much, while 10Y Bund yield fell by 3bp, pushing the Poland-Germany spread to 175bp.

**Today** at 10:00 CET the statistical office will release flash GDP data for 4Q20, without a detailed breakdown. Based on the flash full-year growth estimate published earlier (-2.8%) we estimate the 4Q GDP decline was between -3.1% and -2.8% y/y, which is equivalent to a slight decrease q/q (after seasonal adjustment). Earlier (9:00) the CPI inflation data in Czechia and Hungary will be published, and may be a hint for the Polish corresponding data due on Monday.

### Selected European Commission's GDP growth forecasts

	2021	2022
Germany	3.9 (-0.2)	3.1 (-0.4)
Spain	5.6 (+0.2)	5.3 (+0.5)
France	5.5 (-0.3)	4.4 (+1.3)
Italy	3.4 (-0.7)	3.5 (+0.7)
<b>Euro zone</b>	<b>3.8 (-0.4)</b>	<b>3.8 (+0.8)</b>
Poland	3.1 (-0.2)	5.1 (+1.6)
<b>EU</b>	<b>3.7 (-0.4)</b>	<b>3.9 (+0.9)</b>

Note: in parentheses are differences versus Autumn 2020  
EC forecasts

Source: European Commission, Santander

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## FX market

### Today's opening

EURPLN	4.5049	CZKPLN	0.1745
USDPLN	3.7145	HUFPLN*	1.2575
EURUSD	1.2124	RUBPLN	0.0503
CHFPLN	4.1720	NOKPLN	0.4371
GBPPLN	5.1256	DKKPLN	0.6055
USDCNY	6.4542	SEKPLN	0.4453

\*for 100HUF

### Last session in the FX market

11.02.2021

	min	max	open	close	fixing
EURPLN	4.489	4.507	4.493	4.502	4.502
USDPLN	3.699	3.718	3.705	3.712	3.712
EURUSD	1.212	1.215	1.213	1.213	-

## Interest rate market 11.02.2021

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.13	-2
DS0725 (5Y)	0.47	-3
DS1030 (10Y)	1.28	0

### IRS on the interbank market\*\*

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.22	-1	0.20	0	-0.55	1
2L	0.37	-1	0.21	1	-0.52	0
3L	0.53	-1	0.27	0	-0.49	1
4L	0.71	-1	0.42	1	-0.45	1
5L	0.88	-1	0.57	1	-0.41	0
8L	1.23	0	1.01	1	-0.24	-1
10L	1.40	0	1.21	1	-0.13	-1

## WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
T/N	0.09	1
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	0.22	0
9x12	0.25	0
3x9	0.24	-1
6x12	0.28	0

## Measures of fiscal risk

Indicators of fiscal risk

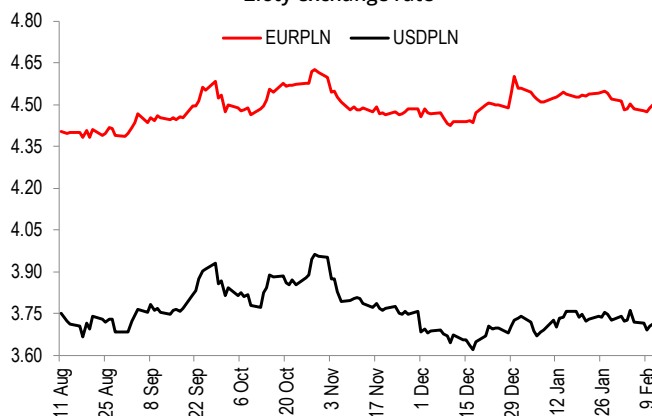
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	172	1
France	8	0	23	0
Hungary	64	0	287	-3
Spain	38	-2	59	1
Italy	47	-3	94	-2
Portugal	23	-3	53	2
Ireland	11	0	33	1
Germany	9	0	-	-

\* 10Y treasury bonds over 10Y Bunds

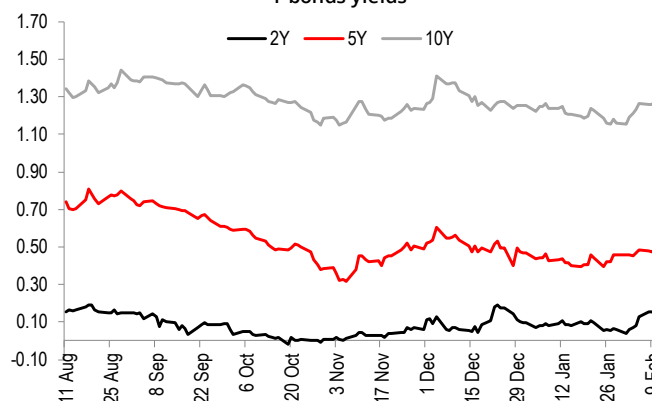
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

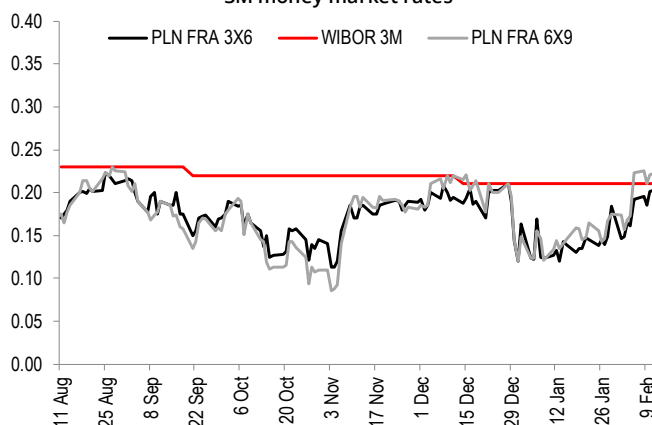
## Zloty exchange rate



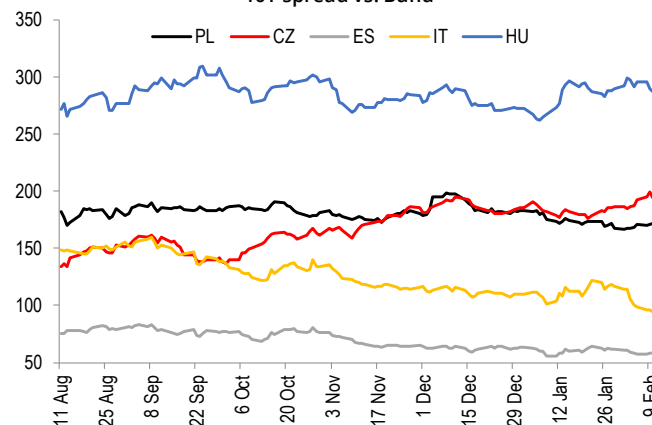
## T-bonds yields



## 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	0.3	-	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	-	0.1	5.4
WEDNESDAY (10 February)								
08:00	DE	HICP	Jan	% m/m	1.4	-	1.4	1.4
14:30	US	CPI	Jan	% m/m	0.3	-	0.3	0.4
THURSDAY (11 February)								
14:30	US	Initial Jobless Claims	week	k	757	-	793	812
FRIDAY (12 February)								
09:00	CZ	CPI	Jan	% y/y	1.7	-		2.3
09:00	HU	CPI	Jan	% y/y	2.7	-		2.7
10:00	PL	GDP	4Q	% y/y	-3.0	-2.9		-1.5
16:00	US	Flash Michigan index	Feb	pts	80.8	-		79.0

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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