

15 February 2021

# Eyeopener

## Week of data, CPI today

Equity markets calm, core yields up  
Zloty stable, EURUSD slightly down  
Polish bonds weaker, IRS soar  
Today Polish CPI and balance of payments

On Friday the stock markets were stable, while VIX, the so-called “fear index” went down and tested January lows below 21%. The dollar gained c0.3% to basket of developed currencies. Core bond yields climbed significantly, e.g. Bund by 4bp to -0.42% and UST by 4bp to 1.19%. At the end of the session there was a correction after a rather weak reading of Michigan index, suggesting high chances for a further rise in yields at the start of the week.

According to flash estimate, **Poland GDP** growth was -2.8% y/y in 4Q20 vs -1.5% y/y in 3Q and -8.4% in 2Q, confirming that the second dip was much shallower than the first one. The seasonally adjusted growth was -0.7% q/q and -2.8% y/y. The flash whole-year print (-2.8%) released earlier implied the y/y 4Q growth in the -2.8% to -3.1% range so the actual release can be considered relatively strong. Friday's publication does not offer the growth breakdown, but the whole-year estimate suggested that private consumption growth turned negative again in 4Q but to a much lesser extent than in spring (c.-3% y/y vs -10.8% in 2Q), while fixed investments were still falling at a similar pace as in 2Q (-10.7% y/y). The full GDP data for 4Q20 will be released on 26 February. The spread of the pandemic in 1Q and the January trade restrictions might make the 1Q21 show only a limited rebound, to c.-2% y/y. We may need to wait for strong economic revival until 2H21, but this still requires the vaccination process to accelerate to a level that removes much uncertainty regarding future lockdowns. Our full-year 2021 growth forecast is 4.6%.

**EURUSD** opened on Friday at 1.213 and declined during the day to 1.210. The FX options market imply that the most probable scenario in the near term is that of a gradual rise in the EURUSD. However, from technical perspective, the requirement for that is a daily close above the 1.216 (the 50-day moving average).

**EURPLN** on Friday was stable and closed only slightly above the 4.501. In February the currency pair tried in vain to break the 4.47 hence this level might be considered as a strong support now. At the start of the week the EURPLN might temporarily decline – due to higher CPI reading – however in the medium term EURPLN should remain above 4.50 because of the NBP FX intervention risk.

**As to the other CEE currencies**, EURHUF gained 0.3% on Friday to 358.9 and if this level does not hold then the next stop is at 361.0. On Friday after the CPI print (2.7% y/y) the Hungarian IRS increased significantly (bonds were rather stable). EURCZK on Friday declined by 0.1% to 25.7. High CPI reading at 3.2% and the probable Czech central bank reaction to it (up to two hikes in 2021) were priced in to a large extent. USDRUB after initially rising 1.1%, declined in the latter half of the day and closed at 73.8 – just 0.3% above the Friday open.

**On the domestic interest rate market**, on Friday there was a quite large rise of bond yields (e.g. 10Y went up by 4bp to 1.32%) and IRS rates (10Y by 5bp to 1.45%), partly due to the growing core market yields and partly as investors were positioning ahead of today's CPI data and the bond auction coming this Thursday, where PS1026 series will be offered for the first time.

This week is packed with important data. Abroad we will get to see a lot of economic activity indices, including flash PMIs. **In Poland, the week will start with CPI** and balance of payments, then wages and employment, output in industry and construction, retail sales, PPI inflation. Our forecast of January CPI (2.7% y/y) is well above the market consensus (more details [here](#)) which means Polish inflation would fit the trend of the above-expectations CPI readings in Europe.

10Y POLGB yield (%)



Source: European Commission, Santander

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**FX market**

Today's opening			
EURPLN	4,4917	CZKPLN	0,1742
USDPLN	3,7024	HUFPLN*	1,2522
EURUSD	1,2132	RUBPLN	0,0504
CHFPLN	4,1531	NOKPLN	0,4393
GBPPLN	5,1405	DKKPLN	0,6039
USDCNY	6,4542	SEKPLN	0,4469

\*for 100HUF

Last session in the FX market						12.02.2021
	min	max	open	close	fixing	
EURPLN	4,494	4,509	4,503	4,496	4,503	
USDPLN	3,706	3,726	3,712	3,707	3,719	
EURUSD	1,208	1,213	1,213	1,212	-	

**Interest rate market** 12.02.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0,12	0
DS0725 (5Y)	0,54	7
DS1030 (10Y)	1,32	4

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,24	3	0,18	-2	-0,55	0
2L	0,42	5	0,20	-1	-0,52	0
3L	0,57	3	0,29	2	-0,49	0
4L	0,75	4	0,44	2	-0,44	0
5L	0,91	4	0,60	2	-0,40	1
8L	1,27	3	1,05	5	-0,21	2
10L	1,44	4	1,27	5	-0,09	4

**WIBOR rates**

Term	%	Change (bps)
O/N	0,10	0
T/N	0,10	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	0,21	0
3x6	0,22	1
6x9	0,25	3
9x12	0,29	5
3x9	0,27	2
6x12	0,33	4

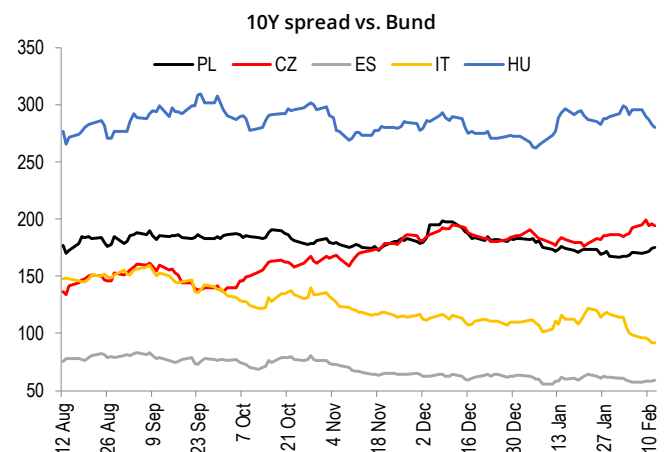
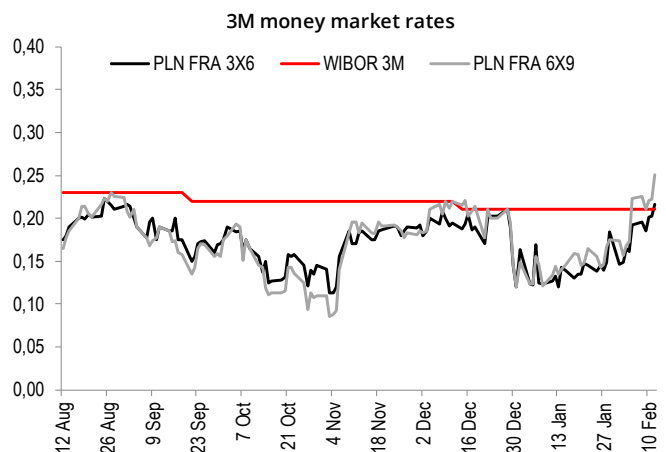
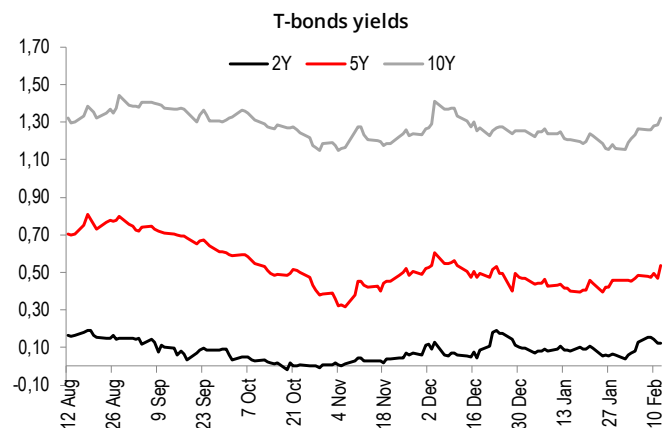
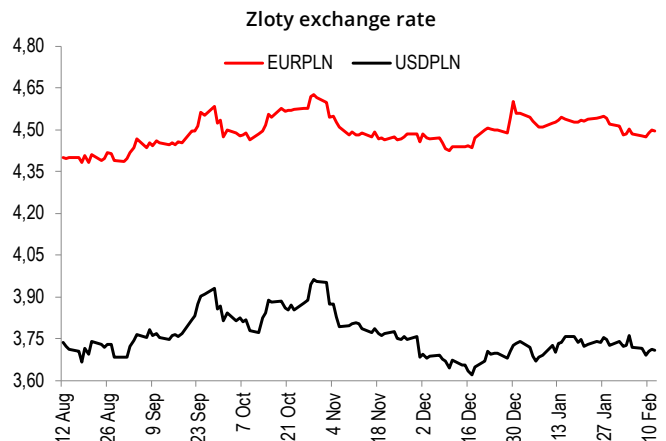
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	175	1
France	8	0	23	1
Hungary	64	0	280	-3
Spain	38	0	59	1
Italy	46	-1	92	0
Portugal	23	0	54	1
Ireland	11	0	34	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



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
<b>FRIDAY (12 February)</b>								
09:00	CZ	CPI	Jan	% y/y	1.7	-	2.2	2.3
09:00	HU	CPI	Jan	% y/y	2.7	-	2.7	2.7
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>4Q</b>	<b>% y/y</b>	<b>-3.0</b>	<b>-2.9</b>	<b>-2.8</b>	<b>-1.5</b>
16:00	US	Michigan index	Feb	pts	80.9	-	76.2	79.0
<b>MONDAY (15 February)</b>								
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Jan</b>	<b>% y/y</b>	<b>2.4</b>	<b>2.7</b>		<b>2.4</b>
11:00	EZ	Industrial Production SA	Dec	% m/m	-0.5	-		2.5
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Dec</b>	<b>€mn</b>	<b>1 005</b>	<b>1085</b>		<b>1 725</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Dec</b>	<b>€mn</b>	<b>580</b>	<b>999</b>		<b>1 756</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Dec</b>	<b>€mn</b>	<b>19 271</b>	<b>19 421</b>		<b>22 965</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Dec</b>	<b>€mn</b>	<b>18 740</b>	<b>18 422</b>		<b>21 209</b>
<b>TUESDAY (16 February)</b>								
09:00	HU	GDP	4Q	% y/y	-5.6	-		-4.6
11:00	EZ	GDP SA	4Q	% y/y	-5.1	-		-5.1
11:00	DE	ZEW Survey Current Situation	Feb	pts	-66.6	-		-66.4
<b>WEDNESDAY (17 February)</b>								
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>Jan</b>	<b>% y/y</b>	<b>-1.5</b>	<b>-1.3</b>		<b>-1.0</b>
<b>10:00</b>	<b>PL</b>	<b>Average Gross Wages</b>	<b>Jan</b>	<b>% y/y</b>	<b>4.8</b>	<b>4.7</b>		<b>6.6</b>
14:30	US	Retail Sales Advance	Jan	% m/m	0.9	-		-0.7
15:15	US	Industrial Production	Jan	% m/m	0.4	-		1.6
20:00	US	FOMC Meeting Minutes						
<b>THURSDAY (18 February)</b>								
<b>10:00</b>	<b>PL</b>	<b>Sold Industrial Output</b>	<b>Jan</b>	<b>% y/y</b>	<b>1.9</b>	<b>0.1</b>		<b>11.2</b>
<b>10:00</b>	<b>PL</b>	<b>PPI</b>	<b>Jan</b>	<b>% y/y</b>	<b>0.4</b>	<b>0.5</b>		<b>0.0</b>
14:30	US	Initial Jobless Claims	week	k	760	-		793
14:30	US	Housing Starts	Jan	% m/m	-0.7	-		5.8
14:30	US	Index Philly Fed	Feb		20.0	-		26.5
<b>FRIDAY (19 February)</b>								
09:30	DE	Flash Germany Manufacturing PMI	Feb	pts	56.5	-		57.1
09:30	DE	Flash Markit Germany Services PMI	Feb	pts	46.5	-		46.7
10:00	EZ	Flash Eurozone Manufacturing PMI	Feb	pts	54.4	-		54.8
10:00	EZ	Flash Eurozone Services PMI	Feb	pts	45.9	-		45.4
<b>10:00</b>	<b>PL</b>	<b>Construction Output</b>	<b>Jan</b>	<b>% y/y</b>	<b>-2.8</b>	<b>-12.8</b>		<b>3.4</b>
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>Jan</b>	<b>% y/y</b>	<b>-6.6</b>	<b>-4.5</b>		<b>-0.8</b>
16:00	US	Existing Home Sales	Jan	% m/m	-2.2	-		0.7

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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