

17 February 2021

Eyeopener

Yields rise further

Equities stable, core yields continue the upside move
 Zloty and its CEE peers weaker
 Polish bonds under pressure, IRS soar
 Today Polish labour market data, important data from the US

On Tuesday European stock indexes decreased somewhat, but the US ones went up. Bond yields on core markets continued to rise – German Bund to -0.36%, the highest level since June 2020, and 10Y UST to 1.26% - the highest since February 2020. The cause of the rise was positive surprise with Eurozone and German data (ZEW index) and US Empire manufacturing index which not only beat consensus but also its price components surged. The rise of yields led to stronger dollar, lower silver and gold price and weakness of some EM currencies.

According to a new draft of the **Open Pension Funds (OFE) conversion** bill, the process is to take place on 28 January 2022. The conversion charge (15% of the value of assets in total) will be collected in January and October 2022. The bill is to become effective on 1 June 2021 and by 2 August the insured will have to decide where to transfer their OFE pension capital: to the state-owned social insurance system (ZUS, no charge in this case) or the private individual pension accounts (IKE). The government assessment of budget impact assumes that half of the insured will choose to convert funds to IKE. This would mean that some PLN11.1bn of the charge will be paid to the budget, PLN7.8bn in January 2022 (calculations based on the value of OFE assets at the end of 2020, i.e. PLN148.6bn). Financial consequences for the general government sector are estimated at +PLN4.6bn in 2021, +12.5bn in 2022. In the following years they are in the PLN0-1.5bn range and from 2029 on the impact will be negative.

EURUSD rose in the first part of the day to 1.216 (+0.3%) but then fell as positive macro data arrived and temporarily slid below 1.21 (-0.3%) to end the day at 1.211. Since the start of today's session the exchange rate is going down and currently is near 1.207. Yesterday the pair reacted to the US data and today we are getting another batch. 1.204 could be the next target.

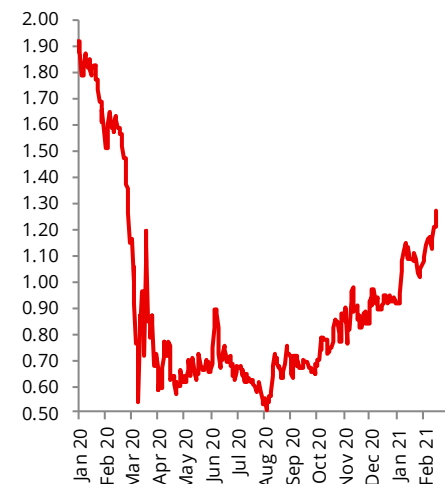
EURPLN climbed by 0.3% to 4.496. The zloty lost in line with other EM currencies due to the stronger dollar. However, the pair remained in 4.47-4.51 range which has been valid for the last two weeks. Today in the morning the rate is close to 4.50. As 4.47 is a level of the probable second NBP intervention in December, in our view the potential for zloty's appreciation is limited in the short term. If dollar continues to gain, EURPLN is likely to test 4.51.

As to the other CEE currencies, EURHUF grew 0.4% to 358.8 due to worse sentiment in the CEEMEA FX. Hungarian Q4 GDP beat expectations and printed positive in a % q/q terms. EURCZK rebounded to 25.8. USDRUB rose 0.4% to 73.56.

On the domestic interest rate market, IRS continued rally while the curve steepened: 2Y +1bp to 0.46%, 5Y +6bp to 1.03%, 10Y +7pb to 1.57%. Bond yields were stable at the front end of the curve while 5Y rose 5pb to 0.75% while 10Y 3pb to 1.38%. The spread vs Bund widened slightly for 5Y to 138bp while for 10Y remained stable at 175bp.

Ministry of Finance announced the details of Thursday outright sale auction. MF will offer PLN 4-6bn worth of bonds of series: OK0423, PS1026, DS1030, WZ1126, WZ1131.

Yield of the 10Y US Treasuries, %



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4,4996	CZKPLN	0,1739
USDPLN	3,7269	HUFPLN*	1,2391
EURUSD	1,2074	RUBPLN	0,0505
CHFPLN	4,1648	NOKPLN	0,4393
GBPPLN	5,1706	DKKPLN	0,6049
USDCNY	6,4542	SEKPLN	0,4477

*for 100HUF

Last session in the FX market						16.02.2021
	min	max	open	close	fixing	
EURPLN	4,482	4,499	4,485	4,496	4,489	
USDPLN	3,683	3,717	3,696	3,714	3,694	
EURUSD	1,209	1,217	1,214	1,211	-	

Interest rate market 16.02.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0,17	3
DS0725 (5Y)	0,77	21
DS1030 (10Y)	1,39	4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,27	1	0,20	1	-0,54	1
2L	0,46	2	0,21	1	-0,50	1
3L	0,65	4	0,32	4	-0,47	1
4L	0,85	5	0,49	5	-0,41	2
5L	1,03	6	0,67	7	-0,35	2
8L	1,41	8	1,16	9	-0,14	4
10L	1,59	9	1,37	9	-0,01	3

WIBOR rates

Term	%	Change (bps)
O/N	0,09	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	0,21	0
3x6	0,23	1
6x9	0,28	1
9x12	0,34	3
3x9	0,28	-1
6x12	0,35	1

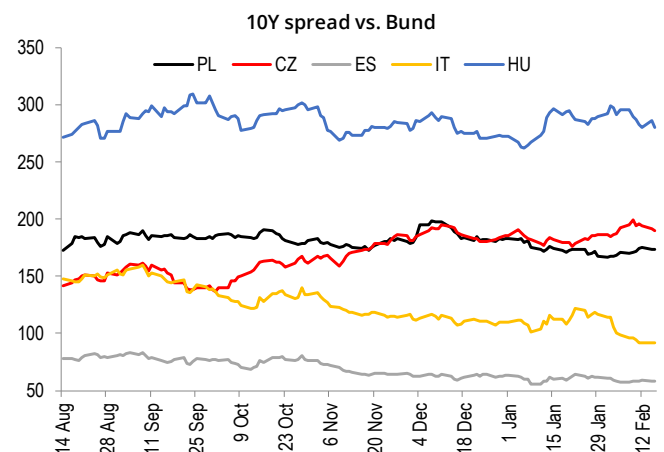
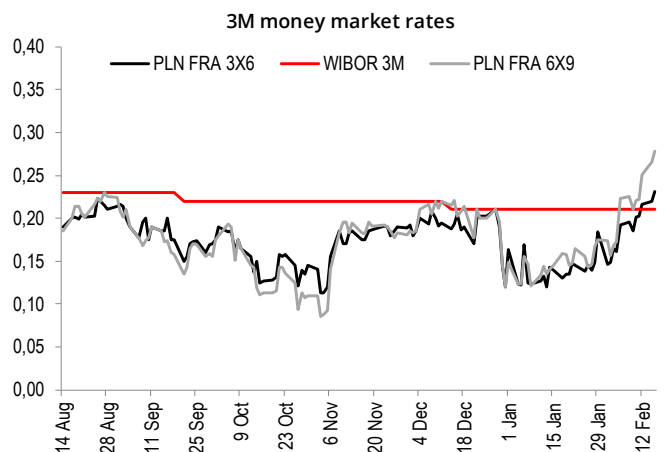
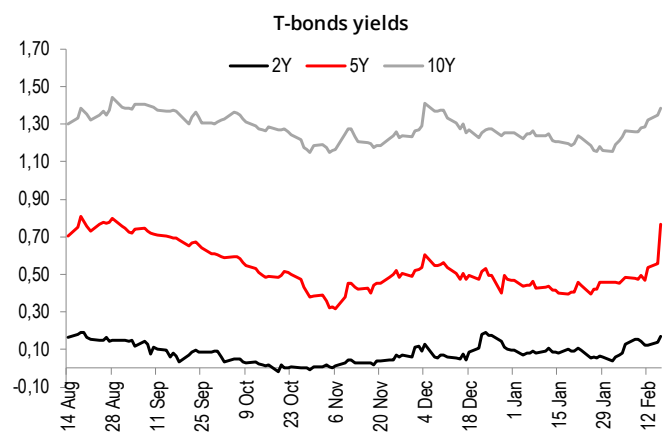
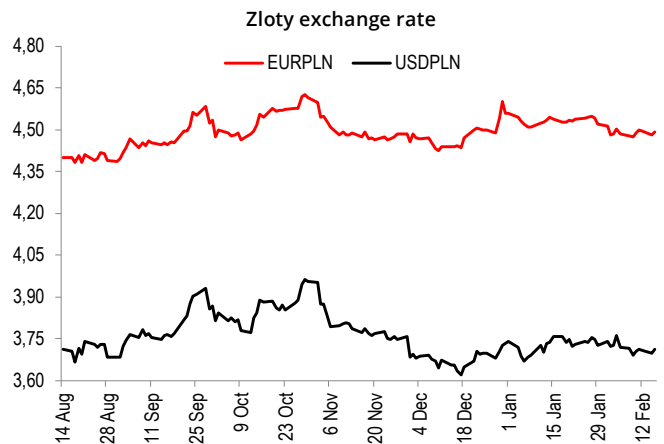
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	173	0
France	8	0	23	0
Hungary	64	0	280	-7
Spain	36	-1	58	0
Italy	44	0	92	0
Portugal	20	-3	54	-1
Ireland	10	-1	34	0
Germany	8	-1	-	-

* 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			
FRIDAY (12 February)								
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
10:00	PL	GDP	4Q	% y/y	-3.0	-2.9	-2.8	-1.5
16:00	US	Michigan index	Feb	pts	80.9	-	76.2	79.0
MONDAY (15 February)								
10:00	PL	CPI	Jan	% y/y	2,4	2,7	2,7	2,4
11:00	EZ	Industrial Production SA	Dec	% m/m	-0,8	-	-1,6	2,5
14:00	PL	Current Account Balance	Dec	€mn	1 000	1 085	430	2 116
14:00	PL	Trade Balance	Dec	€mn	722	999	333	1 872
14:00	PL	Exports	Dec	€mn	19 543	19 421	19 814	23 091
14:00	PL	Imports	Dec	€mn	18 422	18 422	19 481	21 219
TUESDAY (16 February)								
09:00	HU	GDP	4Q	% y/y	-5,6	-	-3,7	-4,6
11:00	EZ	GDP SA	4Q	% y/y	-5,1	-	-5,0	-5,1
11:00	DE	ZEW Survey Current Situation	Feb	pts	-66,5	-	-67,2	-66,4
WEDNESDAY (17 February)								
10:00	PL	Employment in corporate sector	Jan	% y/y	-1.5	-1.3		-1.0
10:00	PL	Average Gross Wages	Jan	% y/y	4.8	4.7		6.6
14:30	US	Retail Sales Advance	Jan	% m/m	1.1	-		-0.7
15:15	US	Industrial Production	Jan	% m/m	0.5	-		1.6
20:00	US	FOMC Meeting Minutes						
THURSDAY (18 February)								
10:00	PL	Sold Industrial Output	Jan	% y/y	1.9	0.1		11.2
10:00	PL	PPI	Jan	% y/y	0.4	0.5		0.0
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
FRIDAY (19 February)								
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
10:00	PL	Construction Output	Jan	% y/y	-2.8	-12.8		3.4
10:00	PL	Retail Sales Real	Jan	% y/y	-6.6	-4.5		-0.8
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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