

18 February 2021

Eyeopener

Correction on stock and bond markets

Stabilization after strong US data
Zloty unchanged, EURUSD down
Polish bonds recover
Today Poland industrial output and PPI

On Wednesday the stock indexes declined slightly which in the context of the positive macro data suggests that the move was rather of a correctional nature. The dollar gained, while the core market yields slightly declined after a few days of dynamic and noticeable increases. The gold price declined (to \$1777 per oz) while the price of the oil remained unchanged. The data from the Eurozone (car sales, construction output) missed the expectations, however in the US both the retail sales and industrial production surprised significantly to the upside. The January retail sales in the US was supported by the December fiscal support for consumers (\$600 per person). The FOMC minutes sounded dovish. The members of the Committee underscored that monetary policy needs to remain loose because the long term mandate goals like employment and priced dynamics are not yet met.

Poland January employment fell by 2.0% y/y vs our call at -1.3% y/y and market expectations at -1.5% y/y, while wages rose by 4.8% y/y in January, close to our call (4.7%) and market expectations (4.8%). Decline in employment was mostly due to annual adjustment of GUS statistical sample, in our view. We are expecting employment and wage growth to improve in the months to come. In February, Polish consumer confidence did not change much m/m. Households' expectations about future financial situation rose to the highest level in four months. We think that private consumption will be quite strong in Poland once all the pandemic restrictions are removed. Find more in our yesterday's [Economic comment](#).

MPC member Jerzy Żyżyński said that „interest rates should remain unchanged in the upcoming few quarters”. In his view, the probability of rate cut did not change recently and such a move still could not be ruled out, but only by 0.1pp. Żyżyński was not worried about inflation rise as consumer demand will remain muted in his view. As regards the exchange rate, MPC member said that EURPLN should not go markedly below 4.50. In his view, the exchange rate could become less important for the Council when the economy returns to the growth path and GDP volume returns to pre-pandemic level. This could happen at the end of 2021, according to Żyżyński.

EURUSD fell by as much as 0.7% to 1.203 after the positive US data. Currently the rate is close to 100-day moving average (1.200) and its break opens the way to decline to 1.195. Breaking this level would mean that a current correction observed since the start of the year will be deeper than in September-October, suggesting that the dollar could remain stronger for longer. Today in the morning the exchange rate is close to 1.204.

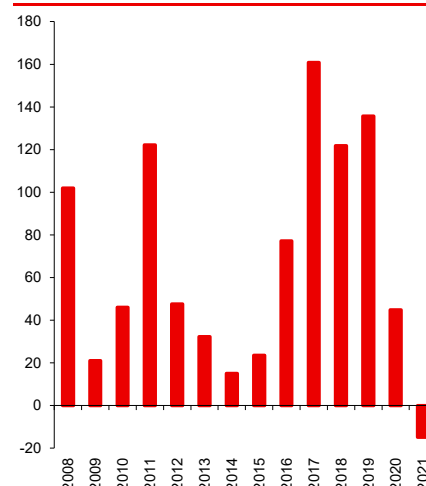
EURPLN was very stable on Wednesday and for most of the day remained near 4.50. The exchange rate remains within a 4.47-4.51 range awaiting a trigger.

Among other CEE currencies, EURHUF was also very stable and spent most of the day around 359. EURCZK searched for equilibrium price in the 25.8-25.9 range. On the other hand, USDRUB rose 0.6%, to 74.1.

On the domestic interest rate market, after the dynamic rise in the first half of the week the market had a day of correction. 2Y IRS dropped by 5bp to 0.4%, longer tenors fell as well: 5Y by 5bp to 0.96% and 10Y by 7bp to 1.51%. It seemed the market was positioning for even more yield curve steepening. The correction was also seen on bond market: 5Y yield dropped to 0.69% and 10Y to 1.34% by 4-5bp.

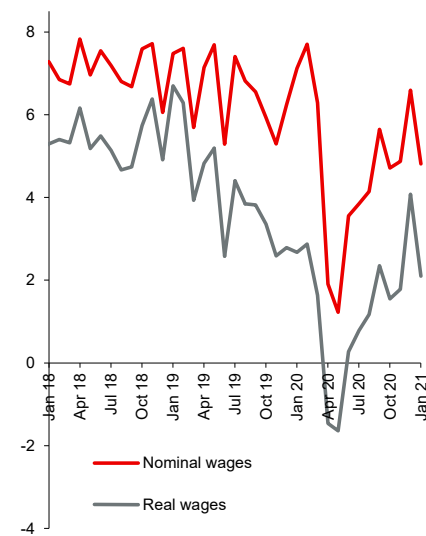
NBP bought government bonds of five series (PS0425, DS0727, WS0428, DS1029, DS1030) for a total of PLN1.05bn. QE purchases tend to be small (compared to the ones at the start of the pandemic) is not changing much the market situation but is signaling to market participants the NBP readiness to act if needed.

Employment - change in January, thousand



Source: GUS, Santander

Wage growth, %/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4,4941	CZKPLN	0,1735
USDPLN	3,7307	HUFPLN*	1,2408
EURUSD	1,2047	RUBPLN	0,0506
CHFPLN	4,1508	NOKPLN	0,4382
GBPPLN	5,1694	DKKPLN	0,6043
USDCNY	6,4620	SEKPLN	0,4481

*for 100HUF

Last session in the FX market						17.02.2021
	min	max	open	close	fixing	
EURPLN	4,491	4,505	4,496	4,498	4,500	
USDPLN	3,719	3,743	3,720	3,735	3,729	
EURUSD	1,202	1,209	1,209	1,204	-	

Interest rate market 17.02.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0,12	-5
DS0725 (5Y)	0,71	-5
DS1030 (10Y)	1,34	-5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,24	-3	0,18	-2	-0,54	0
2L	0,41	-6	0,21	-1	-0,51	-1
3L	0,58	-7	0,30	-2	-0,48	-1
4L	0,77	-8	0,48	-1	-0,43	-2
5L	0,95	-8	0,68	0	-0,37	-2
8L	1,32	-8	1,14	-1	-0,17	-3
10L	1,51	-9	1,35	-2	-0,04	-2

WIBOR rates

Term	%	Change (bps)
O/N	0,08	-1
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	0,21	-2
6x9	0,25	-3
9x12	0,30	-4
3x9	0,26	-3
6x12	0,34	-1

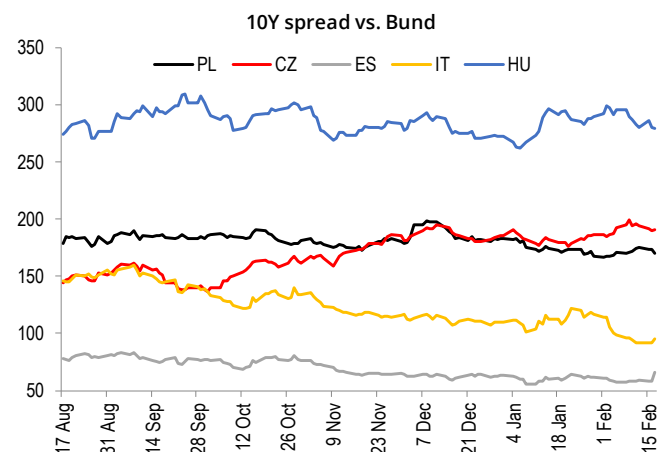
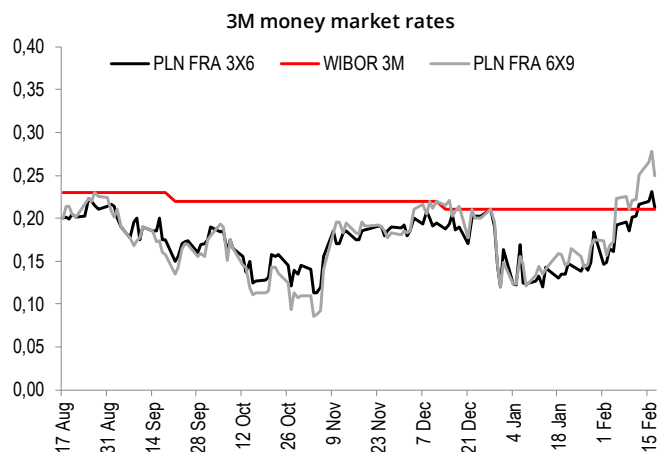
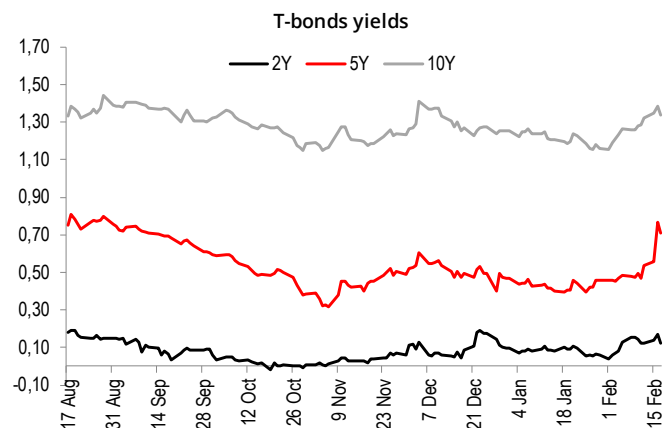
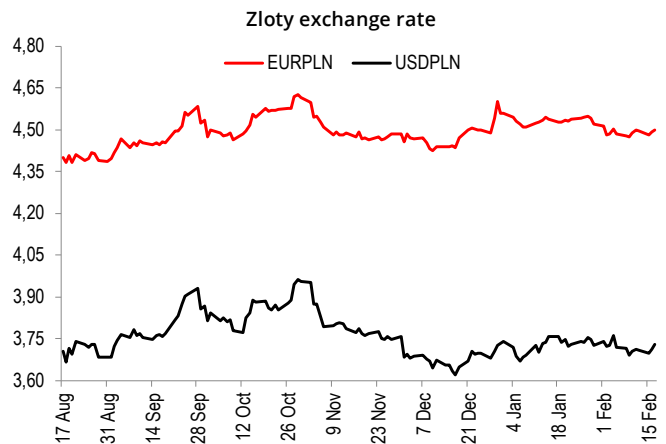
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	170	-3
France	8	0	24	1
Hungary	59	-5	280	0
Spain	37	1	66	7
Italy	46	2	95	4
Portugal	22	2	56	2
Ireland	10	0	35	1
Germany	8	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			
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	-1,3	-1,3	-2,0	-1,0
10:00	PL	Average Gross Wages	Jan	% y/y	5,1	4,7	4,8	6,6
14:30	US	Retail Sales Advance	Jan	% m/m	1,1	-	5,3	-0,7
15:15	US	Industrial Production	Jan	% m/m	0,4	-	0,9	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	765	-		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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