

19 February 2021

# Eyeopener

## MPC's hawks spoke

Equities lower after weaker US labour market data  
 EURPLN still in a range, EURUSD up  
 Polish bonds weaker again, IRS rise  
 Today Poland retail sales and construction output, in Europe flash PMIs

On Thursday equity prices were moving down after worse than expected US data and due to further increase of bond yields on core markets. Bund rose to -0.33% (+3bp) and UST to 1.31% (+4bp). What looked unusual was the depreciation of the dollar in such circumstances, by c.0.3% and gold got cheaper. In the USA the weekly initial jobless claims rose substantially and the growth of new house starts decreased. The central bank of Turkey did not change interest rates.

In January **Polish industrial output** rose by 0.9% y/y vs market expectations at 1.9% and our 0.1% forecast. At first view, this is a major loss of pace vs the December 11.2% y/y print, but in SA terms production was up 5.7% y/y, less than in December (7.1%), but more than in any other month of 2020. We think the industry could post a double-digit growth on average this year. PPI climbed to 0.7% y/y in January from 0.1% on weaker PLN and higher commodity prices, but the core part of the index also accelerated. Find more in our yesterday's [Economic comment](#).

**MPC member Jerzy Kropiwnicki** thinks that in 2H21 a small rate hike may be considered if inflation goes above forecasts. In his view there is an upside risk to the 2.6% average 2021 inflation projection shown by NBP staff in November. **Eugeniusz Gatnar** said that in 2H21 one should consider a rate hike that would take the main rate to 0.5%, because inflation may accelerate to even 4%. In his view the hike would be the first step to policy normalisation in Poland, and by the end of the term (early 2022) the main rate should be at 1.0%. He also thinks that further cuts and no participation of NBP in CHF mortgage loans conversion would be detrimental to the banking sector.

**EURUSD** rose to 1.207 from 1.204 after worse than expected US labor market data. On Friday open, EURUSD is near 1.21 and with this the exchange rate managed to regain the whole of Wednesday's decline. Today at 10:00CET the Eurozone and German flash PMI in manufacturing and services are published - market expects only a slight decline in the indices.

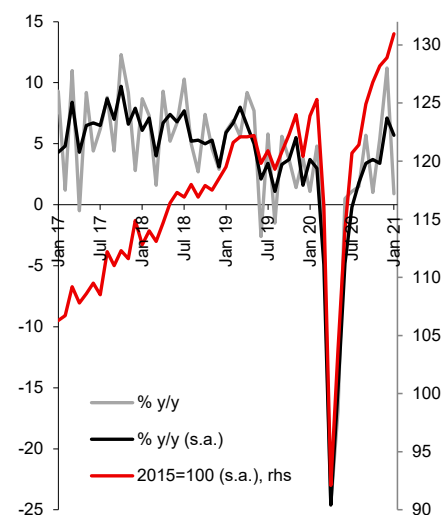
**EURPLN** declined on Thursday very early morning (Warsaw time) and in the morning the declines even accelerated. In the latter part of the day, there was some rebound and in the end EURPLN closed at the same level as the open (4.495). On Friday morning the EURPLN opens near 4.49, and remains within the 4.47-4.451 range.

**Among other CEE currencies**, EURHUF climbed by 0.3% to 359.6, EURCZK by 0.5% to 25.96. Also USDRUB ended the day higher by 0.3%, above 74.0 even though during the day the ruble was gaining. Yesterday data from Russia surprised to the upside - retail sales shrank in January less than expected (-0.1% y/y as compared to consensus at -3.0% y/y), and real wage growth was stronger than expected (4.6% y/y vs expectations at -1.5% y/y). Unemployment rate was also better than expected and slid to 5.8% from 5.9%.

**On the domestic interest rate market** bond yields were stable for the better part of the day with 2Y at 0.15%, 5Y slightly above 0.70%, but began rising at the end of the day and 5Y closed at 0.74% and 10Y at 1.38%. We are expecting slow rises of yields in the upcoming days.

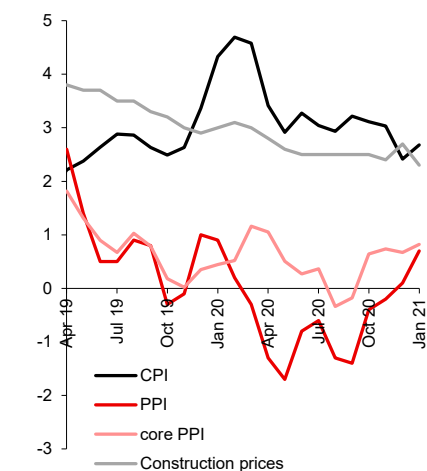
**The Finance Ministry** sold bonds worth PLN5.4bn amid demand at PLN7.85bn. 5 bond series were sold: OK0423, PS1026, DS1030, WZ1126, WZ1131. At the top-up auction the Ministry sold papers worth PLN0.5bn (i.e. PLN5.9bn in total). After the Thursday tender, the 2021 gross borrowing needs are covered in 53%.

### Industrial output



Source: GUS, Santander

### Inflation measures, % y/y



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4,4876	CZKPLN	0,1729
USDPLN	3,7094	HUFPLN*	1,2521
EURUSD	1,2101	RUBPLN	0,0501
CHFPLN	4,1393	NOKPLN	0,4387
GBPPLN	5,1846	DKKPLN	0,6034
USDCNY	6,4646	SEKPLN	0,4472

\*for 100HUF

Last session in the FX market						18.02.2021
	min	max	open	close	fixing	
EURPLN	4,477	4,497	4,488	4,492	4,486	
USDPLN	3,711	3,735	3,729	3,719	3,715	
EURUSD	1,204	1,209	1,204	1,208	-	

**Interest rate market** 18.02.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0,17	5
DS0725 (5Y)	0,74	3
DS1030 (10Y)	1,36	2

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,26	2	0,18	0	-0,54	0
2L	0,43	3	0,19	-2	-0,50	1
3L	0,61	3	0,30	0	-0,47	1
4L	0,80	3	0,48	0	-0,41	2
5L	0,98	3	0,66	-1	-0,35	2
8L	1,34	2	1,15	0	-0,15	2
10L	1,53	2	1,35	1	-0,01	2

**WIBOR rates**

Term	%	Change (bps)
O/N	0,10	2
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	0,21	0
3x6	0,22	1
6x9	0,27	2
9x12	0,32	2
3x9	0,28	2
6x12	0,34	0

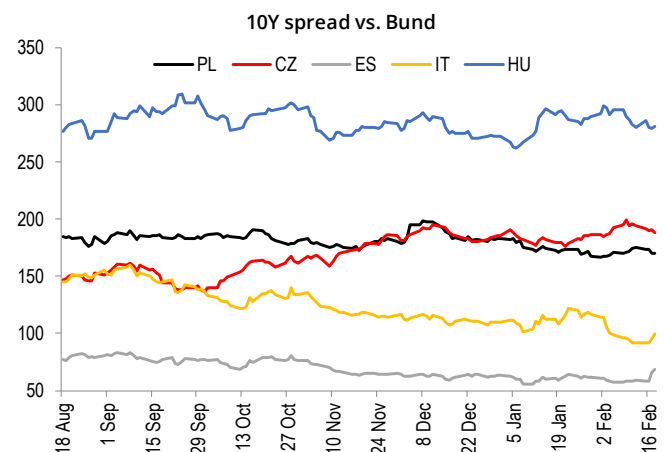
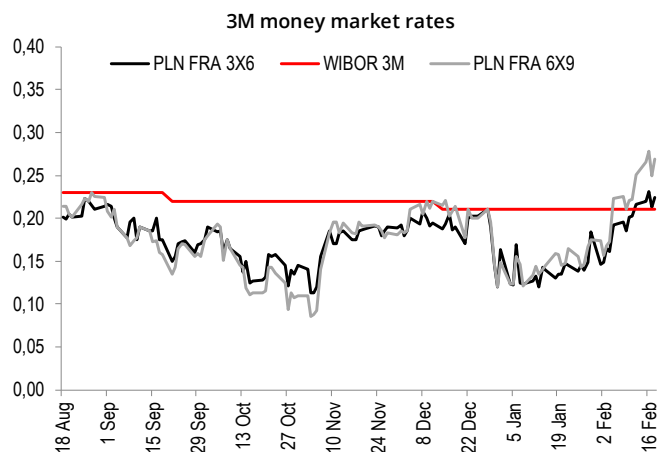
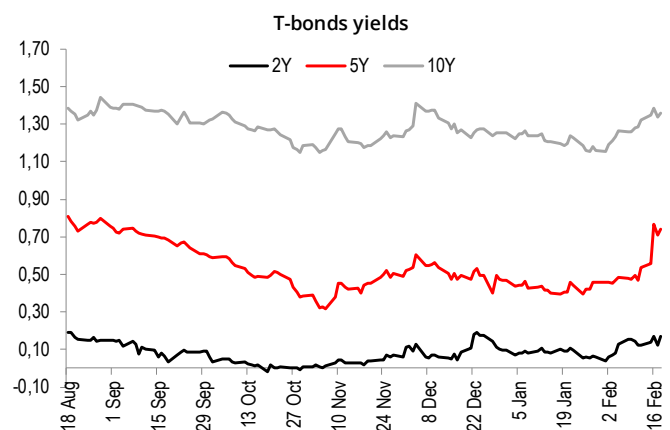
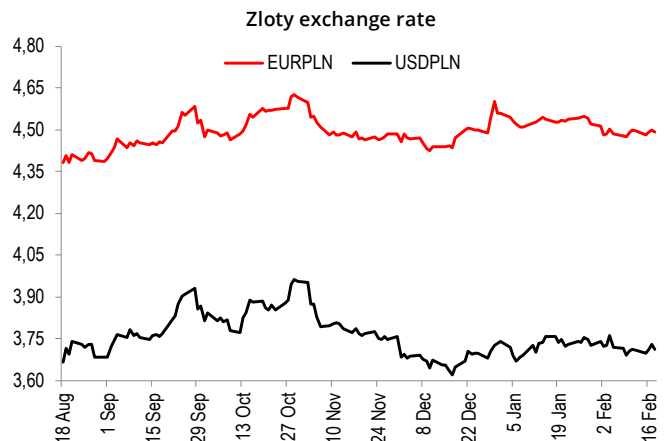
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	170	-1
France	8	0	26	2
Hungary	59	0	281	2
Spain	38	0	69	3
Italy	49	3	100	4
Portugal	23	1	59	3
Ireland	10	0	36	2
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			
<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>2,7</b>	<b>2,4</b>
11:00	EZ	Industrial Production SA	Dec	% m/m	-0,8	-	-1,6	2,5
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Dec</b>	<b>€mn</b>	<b>1 000</b>	<b>1 085</b>	<b>430</b>	<b>2 116</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Dec</b>	<b>€mn</b>	<b>722</b>	<b>999</b>	<b>333</b>	<b>1 872</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Dec</b>	<b>€mn</b>	<b>19 543</b>	<b>19 421</b>	<b>19 814</b>	<b>23 091</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Dec</b>	<b>€mn</b>	<b>18 422</b>	<b>18 422</b>	<b>19 481</b>	<b>21 219</b>
<b>TUESDAY (16 February)</b>								
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
<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>-1,3</b>	<b>-1,3</b>	<b>-2,0</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>5,1</b>	<b>4,7</b>	<b>4,8</b>	<b>6,6</b>
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						
<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>1,0</b>	<b>1,0</b>	<b>0,9</b>	<b>11,2</b>
<b>10:00</b>	<b>PL</b>	<b>PPI</b>	<b>Jan</b>	<b>% y/y</b>	<b>0,5</b>	<b>0,5</b>	<b>0,7</b>	<b>0,0</b>
14:30	US	Initial Jobless Claims	week	k	765	-	861	793
14:30	US	Housing Starts	Jan	% m/m	-0,5	-	-0,6	5,8
14:30	US	Index Philly Fed	Feb	pts	20,0	-	23,1	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	54.3	-		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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