

22 February 2021

Eyeopener

Today money supply data

Manufacturing PMI higher, services PMI lower
CEE currencies stable, EURUSD higher
Polish debt stable amid higher core market yields
Today German Ifo and money supply in Poland

The biggest impact on the Friday's session had the morning data releases in the euro zone. While the flash services PMIs for France, Germany and the whole euro zone have dropped more than expected, but at the same time manufacturing indices surprised equally strongly, but to the upside. And the latter pushed stock market indices, bond yields and EURUSD higher. In the UK both indicators were much better than expected, which supported the pound at the end of the week.

In January, **Polish retail sales** dropped by 6% y/y in real terms. The market had expected -6.6% y/y and we -4.5%. The large deterioration vs -0.8% y/y in December was due to closed shopping malls. Also, the restrictions on leisure activities discouraged travelling. However, durables goods sales rose 1.4% y/y. The epidemic restrictions remain the key obstacle to a major rebound in consumption – we expect a quick normalisation as soon as these end. **Construction** fell by 10.0% y/y in January vs our call at -12.8% y/y, market consensus

at -2.8% y/y and previous reading at +3.4% y/y. The reading looks very disappointing but actually it is not: the output was dragged lower by the negative working day effect and by the high statistical base effect. We think that output in construction will continue to post negative annual growth rates in the nearest months, but should improve in 2H21 as investment will be reviving. Find more in our Friday's [Economic comment](#).

EURUSD extended the upward impulse initiated last Thursday by poor US labour market data. On Friday, the euro was supported by flash manufacturing PMIs, leading the exchange rate above 1.21, with a session top of 1.214. Today German Ifo index is due, but we think that even if it beats consensus the market response will be weaker than after the Friday PMIs.

EURPLN stayed on Friday around 4.485, remaining between the Thursday high and low, in the well-established range 4.47-4.51. The rising EURUSD sent USDPLN below 3.69 for the time being, but at the end of the day the fx rate was close to 3.70. GBPPLN stabilised at 5.18, the highest level since the middle of May. We believe that in case of EURPLN the upper bound of the range is more likely to be tested than the lower one.

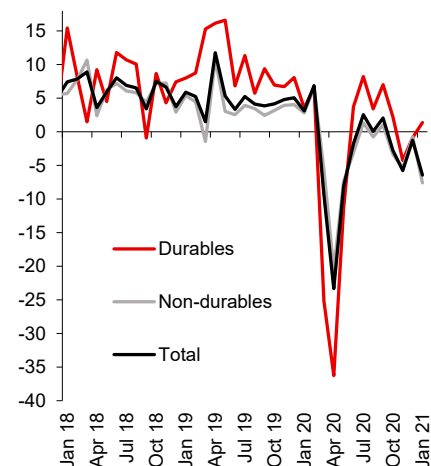
Among other CEE currencies, EURCZK, USDRUB and EURHUF were hovering near the closing levels of the previous session, the former two remained in the Thursday trading range. Since the second week of February, the EURHUF trading range is c.1% and the exchange rate is sticking close to 358.

On the domestic interest rate market IRS and bond yields remained stable or eased 1-3bp. The biggest moves were recorded on the long end of the bond curve which together with a rising core yields translated into the 10Y PL-DE spread moving down 3bp to 167bp.

After the recent data releases, we already know that the economy is in a decent shape.

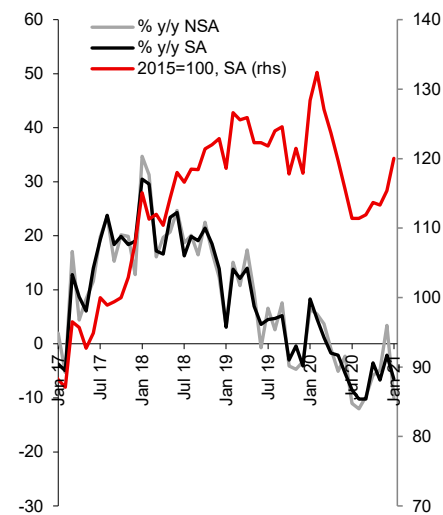
In the final week of February we will find out how exactly the end of the 2020 looked like. On Friday there is a final reading of Q4 GDP. Abroad there will be a lot of data from the US, including consumer sentiment and trends in the real estate sector. The work on the final shape of President Joe Biden's fiscal package is under way and soon one should expect to see the actual final version and the start of the implementation process. Recently, both equity and rates markets have already priced in a big chunk of the news, hence the approval of the package might actually be a good reason for markets to correct. Markets will still be watching how the pandemic situation evolves and especially how the vaccines get produced, distributed and applied. Polish bond yields and IRS rates are likely to follow global rates markets closely as the local macro data are of less importance. Despite some recent hawkish voices from the MPC we still think the NBP rates will remain unchanged till the end of the current MPC's term (early 2022). Hence the long end of the Polish IRS and bond yield curve might react the most to the global reflationary trend.

Retail sales in constant prices, main categories, % y/y



Source: GUS, Santander

Construction output



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
Piotr Bielski +48 22 534 18 87
Marcin Luzziński +48 22 534 18 85
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 19 23
Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening			
EURPLN	4.4854	CZKPLN	0.1725
USDPLN	3.7046	HUFPLN*	1.2367
EURUSD	1.2108	RUBPLN	0.0498
CHFPLN	4.1187	NOKPLN	0.4360
GBPPLN	5.1808	DKKPLN	0.6032
USDCNY	6.4666	SEKPLN	0.4469

*for 100HUF

Last session in the FX market						2/19/2021	
	min	max	open	close	fixing		
EURPLN	4.478	4.490	4.487	4.481	4.489		
USDPLN	3.689	3.712	3.710	3.693	3.700		
EURUSD	1.209	1.214	1.209	1.213	-		

Interest rate market 2/19/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.17	0
DS0725 (5Y)	0.74	0
DS1030 (10Y)	1.35	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.26	0	0.17	-1	-0.54	0
2L	0.43	0	0.20	1	-0.50	0
3L	0.61	0	0.32	2	-0.46	1
4L	0.80	1	0.50	2	-0.40	1
5L	0.99	1	0.70	3	-0.33	2
8L	1.36	2	1.19	5	-0.11	4
10L	1.54	2	1.41	5	0.03	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	0.18	-1
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	0.27	1
9x12	0.32	1
3x9	0.28	0
6x12	0.34	0

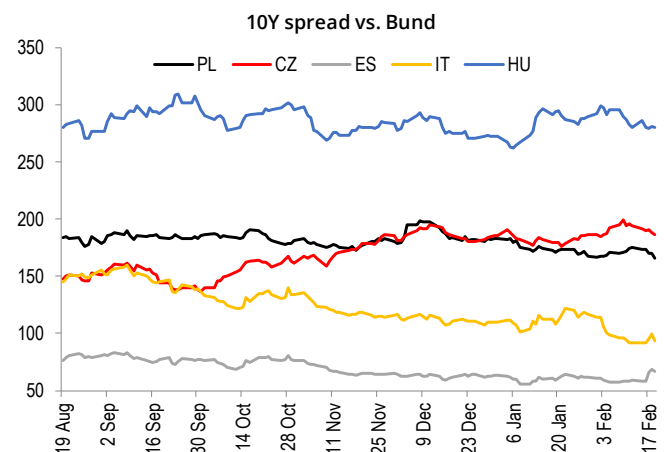
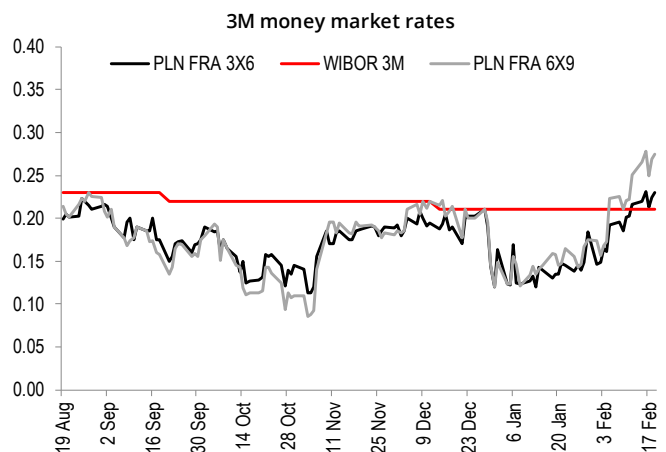
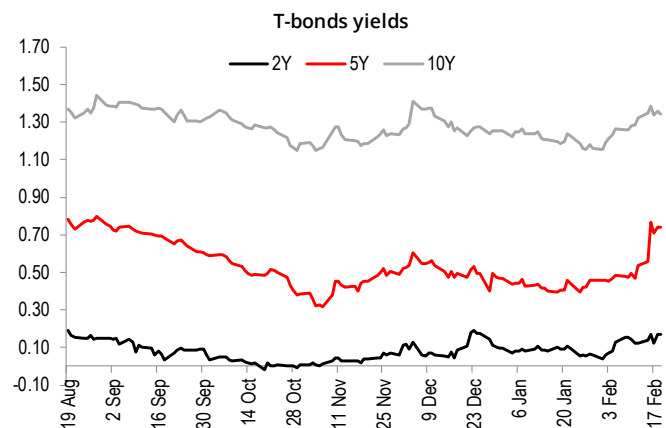
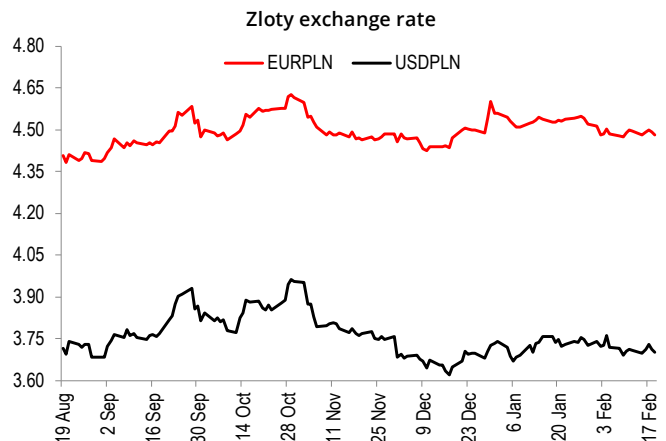
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	166	-4
France	8	0	25	-2
Hungary	59	0	280	-1
Spain	37	-1	67	-2
Italy	46	-2	93	-6
Portugal	21	-2	56	-3
Ireland	10	0	37	0
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	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
CET								
FRIDAY (19 February)								
09:30	DE	Flash Manufacturing PMI	Feb	pts	56.5	-	60.6	57.1
09:30	DE	Flash Services PMI	Feb	pts	46.5	-	45.9	46.7
10:00	EZ	Flash Manufacturing PMI	Feb	pts	54.3	-	57.7	54.8
10:00	EZ	Flash Services PMI	Feb	pts	45.9	-	44.7	45.4
10:00	PL	Construction Output	Jan	% y/y	-2.8	-12.8	-10.0	3.4
10:00	PL	Retail Sales Real	Jan	% y/y	-6.6	-4.5	-6.0	-0.8
16:00	US	Existing Home Sales	Jan	% m/m	-2.4	-	0.6	0.9
MONDAY (22 February)								
10:00	DE	IFO Business Climate	Feb	pts	90.1	-		90.1
14:00	PL	Money Supply M3	Jan	% y/y	16.4	16.5		16.4
TUESDAY (23 February)								
10:00	PL	Unemployment Rate	Jan	%	6.5	6.5		6.2
11:00	EZ	HICP	Jan	% y/y	0.9	-		0.9
14:00	HU	Central Bank Rate Decision		%	0.60	-		0.60
16:00	US	Consumer Conference Board	Feb	pts	89.6	-		89.3
WEDNESDAY (24 February)								
08:00	DE	GDP WDA	4Q	% y/y	-3.9	-		-3.9
16:00	US	New Home Sales	Jan	% m/m	1.9	-		1.6
THURSDAY (25 February)								
11:00	EZ	ESI	Feb	pct.	92.0	-		91.5
14:30	US	Durable Goods Orders	Jan	% m/m	1.4	-		0.5
14:30	US	GDP Annualized	4Q	% Q/Q	4.3	-		4.0
14:30	US	Initial Jobless Claims	week	k	-	-		861
16:00	US	Pending Home Sales	Jan	% m/m	-	-		-0.3
FRIDAY (26 February)								
10:00	PL	GDP	4Q	% y/y	-	-2.8		-1.5
14:30	US	Personal Spending	Jan	% m/m	0.5	-		-0.2
14:30	US	Personal Income	Jan	% m/m	8.0	-		0.6
14:30	US	PCE Deflator SA	Jan	% m/m	0.2	-		0.4
16:00	US	Michigan index	Feb	pts	76.2	-		76.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.