

24 February 2021

# Eyeopener

## Powell calms the markets

Powell does not suggest moving away from the easy monetary policy  
 EURPLN still in the horizontal trend  
 Tiny changes in Polish debt  
 Today data from the US

At the start of yesterday's session the market sentiment was weak, stock markets continued to go down due to the recent rise of bond yields. During the day the market attempted to rebound and this development was supported by the Fed head. Yesterday Jerome Powell said before the Senate commission that the US economic recovery is uneven, the economy did not return to pre-pandemic levels and the outlook remains uncertain. This cooled down the market expectations for a quicker economic growth and hence for a rapid rise in inflation. Thus would in turn trigger a reaction of central banks. Thanks to words of the Fed head equities managed to trim its losses and bond yields went down.

**Detailed data about the labour market** showed that average employment was down by 15k in January (which in our view came from the annual review of the sample of enterprises) was seen mostly in trade (-16k), hotels and restaurants (-9k), while employment in industry rose (+12k). The changes are in line with the business climate in these sectors in 2020. The number of the employed dropped in January by a whole 50k, which suggests that the companies that dropped out of the sample were relying on part-time jobs. The number of the employed in trade decreased by 20k, in hotels and restaurants by 12k, in administrative and support services by 6k and in industry by 5k.

According to LFS data, in **4Q20 the number of the employed was higher than a year ago** by 0.5% after a fall by 1.3% y/y in 2Q and by 0.6% in 3Q. The number of the unemployed also went up – in 4Q20 there were 9.3% more of them than a year earlier, compared to +5.5% y/y in 3Q. The LFS unemployment rate was 3.1% and was slightly lower than in 3Q20 (3.3%). The rise of both employment and unemployment means that the labour market is coming back to life - after the first phase of the crisis there was a large increase of the economically inactive persons, an expression of the fact that active job search was not possible.

**EURUSD** manager to set a new February peak at the start of the session (1.217), but falls on the European stock markets and expectations for Powell's testimony in the US Congress made the rate go back to 1.214. The dovish Powell rhetoric helped the rate go up to 1.216 at the close of the day. In a broader context, EURUSD remains close to the middle of the downward correction that we witnessed in between start of January and early days of February.

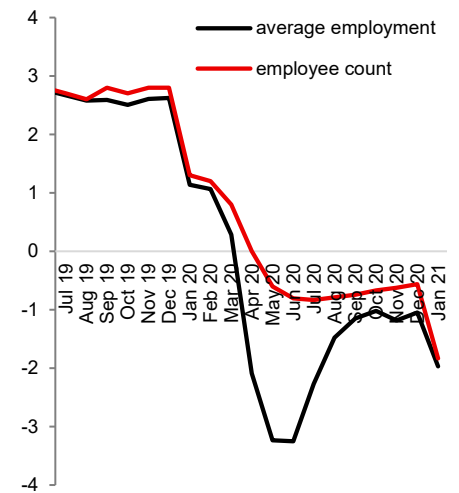
**EURPLN** rose to 4.505 amid a noticeable deterioration of the global market mood but remained within 4.47-4.51 range observed since the beginning of February. We still think that the upper end of the range is more likely to be tested than the lower one.

**Among other CEE currencies**, there were also no big changes. EURCZK was hovering around 25.9 holding between the Monday's peak and low. EURHUF was trading near 359 remaining within the narrowing trading range observed this month. Hungarian central bank left interest rates unchanged. It pointed that inflation could reach 4% in the summer months but for most of the year shall hold close to 3.5%. CPI is expected to return to the 3% target in early 2022. The bank reiterated that caution is needed when assessing the persistence the inflation trends given the likely higher volatility of prices. This suggests there will be no rush to hike rates. USDRUB fell 0.5% to below 74.0..

**On the domestic interest rate market** IRS and bond yields rose 2-3bp holding near their local peaks. The 10Y Bund and Treasuries also remained at an elevated levels.

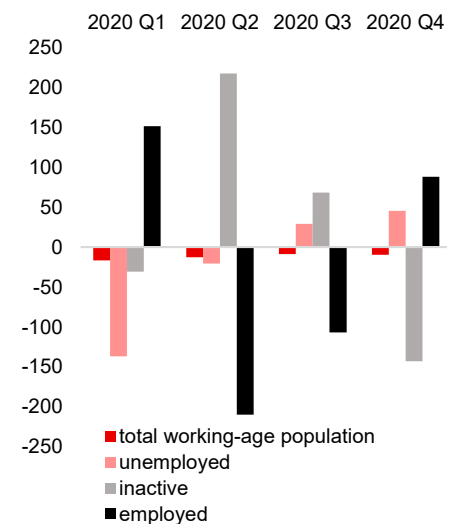
We are pleased to inform that **in Reuters Poll we ranked 2nd** in the forecasts contest for the Polish economy in 2020. We ranged 1st in inflation forecasts, 2nd in industrial output and 3rd in PMI.

### Corporate sector employment, %/y



Source: GUS, Santander

### LFS - labour market status change, y/y (k)



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	4.5071	CZKPLN	0.1739
USDPLN	3.7085	HUFPLN*	1.2439
EURUSD	1.2155	RUBPLN	0.0503
CHFPLN	4.0912	NOKPLN	0.4392
GBPPLN	5.2550	DKKPLN	0.6061
USDCNY	6.4604	SEKPLN	0.4477

\*for 100HUF

Last session in the FX market						2/23/2021
	min	max	open	close	fixing	
EURPLN	4.494	4.509	4.494	4.505	4.509	
USDPLN	3.691	3.715	3.692	3.710	3.712	
EURUSD	1.213	1.218	1.217	1.214	-	

**Interest rate market** 2/23/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.12	1
DS0725 (5Y)	0.73	3
DS1030 (10Y)	1.35	4

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.26	1	0.18	1	-0.53	0
2L	0.42	1	0.20	0	-0.50	0
3L	0.60	1	0.32	-1	-0.46	0
4L	0.78	2	0.50	-2	-0.40	-1
5L	0.96	2	0.70	-2	-0.34	0
8L	1.34	2	1.20	-2	-0.13	1
10L	1.52	2	1.42	-1	0.00	0

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	1
T/N	0.10	0
SW	0.11	0
2W	0.16	0
1M	0.18	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	0
6x9	0.27	1
9x12	0.30	-1
3x9	0.28	1
6x12	0.33	1

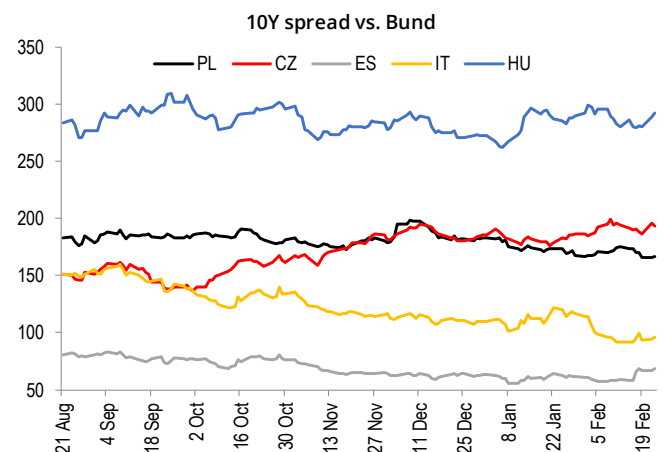
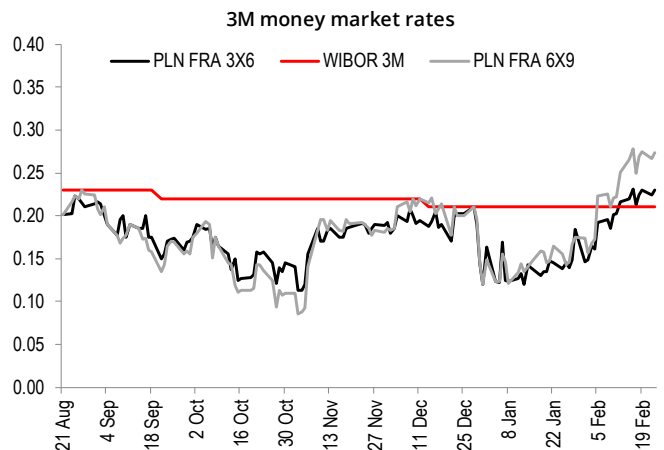
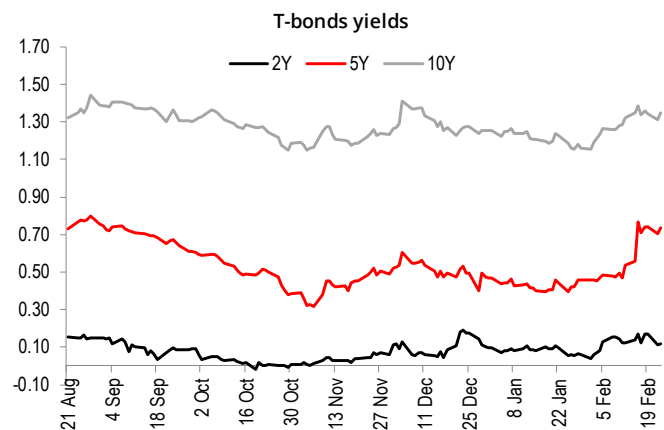
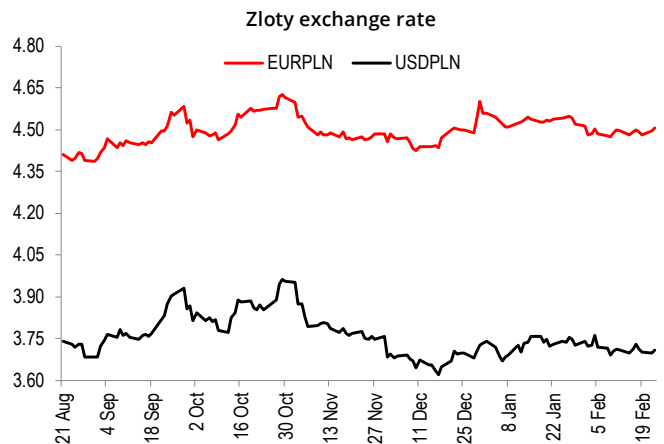
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	167	1
France	8	0	25	1
Hungary	59	0	292	3
Spain	36	0	68	1
Italy	46	0	96	2
Portugal	21	0	57	1
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*	
<b>FRIDAY (19 February)</b>								
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
<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>-10.0</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>-6.0</b>	<b>-0.8</b>
16:00	US	Existing Home Sales	Jan	% m/m	-2.4	-	0.6	0.9
<b>MONDAY (22 February)</b>								
10:00	DE	IFO Business Climate	Feb	pts	90.1	-	92.4	90.3
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>Jan</b>	<b>% y/y</b>	<b>16.4</b>	<b>16.5</b>	<b>16.8</b>	<b>16.4</b>
<b>TUESDAY (23 February)</b>								
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>Jan</b>	<b>%</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.2</b>
11:00	EZ	HICP	Jan	% y/y	0.9	-	0.9	0.9
14:00	HU	Central Bank Rate Decision		%	0.60	-	0.60	0.60
16:00	US	Consumer Conference Board	Feb	pts	90.0	-	91.3	88.9
<b>WEDNESDAY (24 February)</b>								
08:00	DE	GDP WDA	4Q	% y/y	-3.9	-	-3.7	-3.9
16:00	US	New Home Sales	Jan	% m/m	2.1	-		1.6
<b>THURSDAY (25 February)</b>								
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
<b>FRIDAY (26 February)</b>								
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>4Q</b>	<b>% y/y</b>	<b>-</b>	<b>-2.8</b>		<b>-1.5</b>
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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.