

25 February 2021

# Eyeopener

## Today more data in the US

Equities markets stable, bond prices under pressure  
 EURPLN finally above 4.51, forint and koruna weaken as well  
 Polish yields higher following core markets  
 Today still more data in the US

On Wednesday the stock markets were a bit calmer than on Tuesday. Dovish comments of the ECB head from Monday and of the Fed head on Tuesday failed to stabilise the debt market for longer, as bond yields climbed markedly (10Y UST to 1.43%, the highest in a year). An additional pressure on bonds was put by the US housing market data, where new home sales in January surprised to the upside and the December reading was revised upwards. Even though the dollar did not gain yesterday and stock indices did not fall, CEE currencies were under pressure and were underperforming Asian or South American currencies, which have actually gained.

Health minister Adam Niedzielski declared that **restrictions in the Warmińsko-Mazurskie voivodship will be tightened again** due to rising infections. Entities which were recently opened: cinemas, malls, theatres, swimming pools, will be closed again. In other regions the epidemic regime is to remain unchanged until mid-March.

**Detailed data about the economic activity released by the GUS** suggest in our view strengthening of the logistics problems in manufacturing that lead to jump of inflation expectations in this sector. Indicator of current level of inventories of finished goods reached its lowest since 2004 although yet half a year earlier it was at its highest since 2009. At the same time, many of manufacturing branches flagged historically high difficulties to acquire materials. Index of expected prices of manufacturing companies reached one of its highest levels in the last decade.

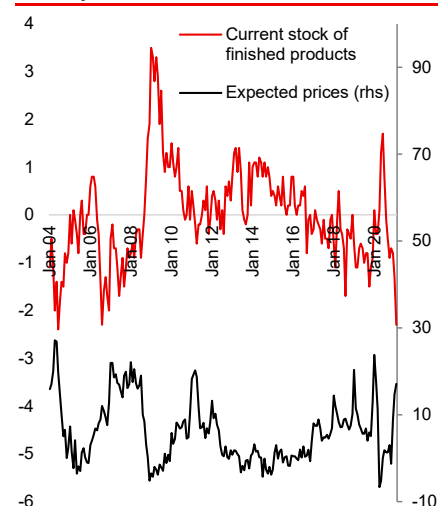
**EURUSD** for the most part of the session was close to local maxima at c.1.216, but in the afternoon the strong US data strengthened the dollar and by the end of the day the exchange rate was close to 1.210. However, this morning the fx rate returned to 1.217. This afternoon more US data will come, e.g. regarding the real estate market, another 4Q GDP revision and the weekly information on initial jobless claims. We think that the circumstances support a rise of EURUSD in the near future, but it will take another impulse to break through 1.217.

**EURPLN** finally got out of the 4.47-4.51 range in which it stayed since the start of February and, as we expected, it broke through the top of the range. Yesterday the exchange rate reached 4.52, but at the end of the day it was 0.01PLN lower. This was also the second day of rising USDPLN and the fx pair reached 3.725. GBPPLN managed to climb above the 2020 top at 5.25 and for a brief period was at 5.27 – the highest level since December 2016. A break of EURPLN through the upper bound of the recent range is a signal that more zloty weakness may follow soon. The next target for the exchange rate could be the 4.54-4.56 zone.

**Among other CEE currencies**, USDRUB remained near 73.8 while EURCZK and EURHUF rose 0.7% and 0.45%, respectively. The former broke 26.0 reaching its fresh February peak and the latter approached 360 and broke out of the narrowing consolidation mentioned yesterday. Today in the morning, EURCZK climbed above 26.07 making the current upside correction bigger in price than the previous from November/December 2020. This could mean the exchange rate will rise further.

**On the domestic interest rate market** Wednesday saw a noticeable rise of yields and IRS, by c5bp on the belly and long end for both curves. Polish debt followed the core markets where mainly the US bonds were sold-off. Yield of the 10Y Bund rose 2bp while of the respective UST by 5bp. The 10Y PL-US bond yield spread returned above 0bp after holding in negative territory during the first two days of the week. The spread vs Bund rose c4bp to 170bp.

Selected indicators of business sentiment in industry



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.5089	CZKPLN	0.1727
USDPLN	3.7061	HUFPLN*	1.2431
EURUSD	1.2169	RUBPLN	0.0504
CHFPLN	4.0876	NOKPLN	0.4423
GBPPLN	5.2358	DKKPLN	0.6063
USDCNY	6.4529	SEKPLN	0.4477

\*for 100HUF

### Last session in the FX market

2/24/2021

	min	max	open	close	fixing
EURPLN	4.505	4.524	4.506	4.508	4.518
USDPLN	3.704	3.732	3.709	3.713	3.715
EURUSD	1.211	1.218	1.215	1.214	-

## Interest rate market 2/24/2021

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.11	-1
DS0725 (5Y)	0.76	3
DS1030 (10Y)	1.42	7

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.25	-1	0
2L	0.43	1	-0.53
3L	0.61	1	-0.46
4L	0.80	2	-0.40
5L	0.99	3	-0.34
8L	1.38	3	-0.13
10L	1.56	4	0.00

## WIBOR rates

Term	%	Change (bps)
O/N	0.09	-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	0.28	0
9x12	0.30	0
3x9	0.29	1
6x12	0.34	1

## Measures of fiscal risk

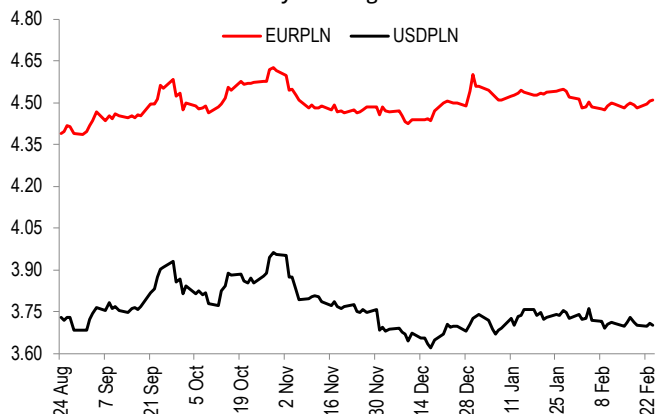
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	0
France	8	0
Hungary	59	0
Spain	35	-2
Italy	45	-1
Portugal	20	-1
Ireland	10	0
Germany	8	0

\* 10Y treasury bonds over 10Y Bunds

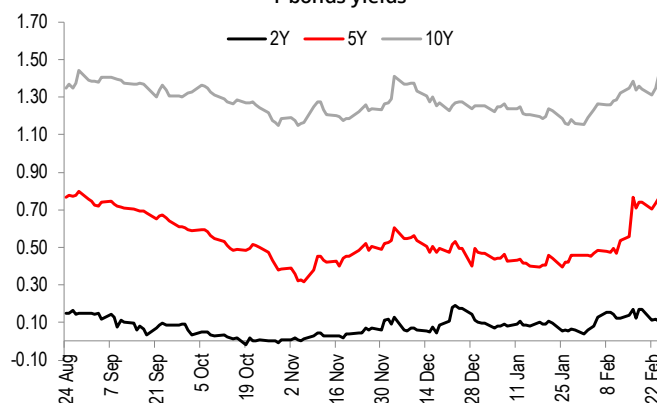
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

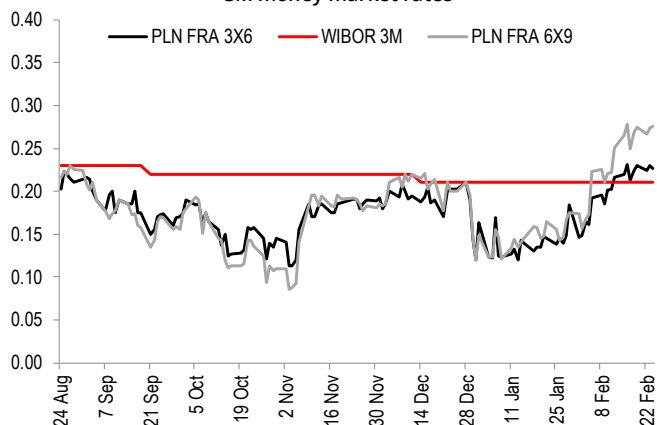
## Zloty exchange rate



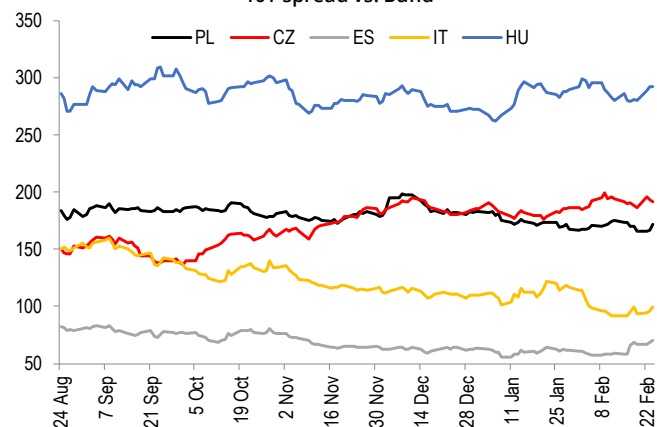
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
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	-	92.4	90.3
14:00	PL	Money Supply M3	Jan	% y/y	16.4	16.5	16.8	16.4
TUESDAY (23 February)								
10:00	PL	Unemployment Rate	Jan	%	6.5	6.5	6.5	6.2
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
WEDNESDAY (24 February)								
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	-	4.3	5.5
THURSDAY (25 February)								
11:00	EZ	ESI	Feb	pct.	92.0	-		91.5
14:30	US	Durable Goods Orders	Jan	% m/m	1.1	-		0.5
14:30	US	GDP Annualized	4Q	% Q/Q	4.2	-		4.0
14:30	US	Initial Jobless Claims	week	k	838	-		861
16:00	US	Pending Home Sales	Jan	% m/m	0.0	-		-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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