

Eyeopener

Bond yields even higher

Positive macroeconomic data from Europe and the US
 EURPLN higher, other CEE currencies also weaker
 EURUSD volatile
 Polish bonds still under pressure
 Today final Q4 GDP in Poland and still more data from the US

The Thursday session was quite similar to the Wednesday one. Stock markets in Europe were rather stable, while yields continued to go up. During the day we got to see quite positive data from Europe and the USA. ESI index for the euro zone climbed above the September peak and reached the highest level since March 2020. In the afternoon it turned out that US durable goods orders rose more than expected and weekly initial claims were below expectations. As a result, yields of 10Y US and German bonds rebounded by 7-10bp to 1.46% and -0.236%, respectively, both hitting the highest levels since March 2020.

The central budget had a PLN6.6bn surplus after January vs PLN3.4bn a year ago. The positive start of the year is in our view due to creative accounting. Budget expenditures were 7.7% y/y lower and the subsidy for social security fund dropped by almost 90% y/y. As we already had written many times – the behaviour of central budget is not reflecting what is going on in the public finances, it is more a result of creative shifting of expenditures between periods and funds. Budget revenues rose by 1.0% y/y, with PIT and CIT rising y/y at a double-digit pace and VAT up by c.6% y/y.

The **main ESI business confidence indicator for Poland rose** in February from 82.3 pts to 87 pts, the highest level since March. What improved the most was the attitude of consumers and firms from the services and retail trade sector. Consumers were more positive on their future financial situation (the index is now the highest since March) and a bit more positive on economic outlook. The Polish industrial index remained well below the pre-pandemic level unlike its Euro zone counterpart which pushed to the highest level since mid-2019.

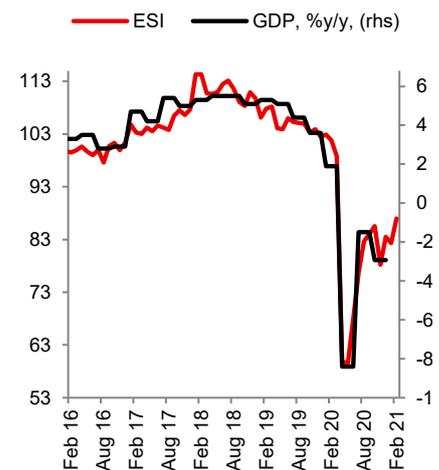
EURUSD recorded the highest one-session rise since the start of the month (+0.6%) and reached 1.223, the highest level since the first week of January. The dollar was undermined by recent dovish words of Fed head. Overnight the rate plunged offsetting the earlier gains. Today in the morning the pair is at 1.214.

EURPLN EURPLN did not continue the upward impulse after it broke the upward limit of 4.47-4.51 channel on Wednesday. On Thursday the pair was oscillating around 4.51 and it seemed that the potential for a more significant upward move was limited by rising EURUSD. The downward correction of EURUSD helped EURPLN reached 4.523 this morning. Meanwhile, USDPLN set a new February minimum at 3.68 and this morning it is starting the session at 3.68. Thanks to another upward session of EURCHF, CHFPLN fell temporarily below 4.06 to the lowest level since September, but then it rebounded and today is near 4.115. GBPPLN fell for the third time in last 12 sessions and went back to 5.20 from 5.27 recorded on Wednesday.

Among other CEE currencies, USDRUB rose 0.8% to 74.4 despite weaker dollar. The exchange rate remains near 72-73 support area. EURCZK climbed 0.6% to 26.2 making the current upside correction bigger in price than the previous one from November/December. The koruna was pressured by rising number of new Covid-19 cases (nearly 16k on Wednesday vs record-high nearly 18k in early January) and rising risk of more restrictions (that were supposed to be discussed by the government). Owing to the poor mood in the region, EURHUF rose 0.3% to nearly 362, its new February peak.

On the domestic interest rate market Thursday saw further strong rise of yields and IRS, mainly on the belly and long end of the curves. Polish 10Y bond yield was close to 1.56% at the end of the day, at its highest since May 2020 and vs 1.42% at the previous close. The 10Y IRS reached 1.70%, its highest for a year. Polish debt was underperforming Bund and UST and the 10Y yield spreads widened by 7-8bp to 180bp and 10bp, respectively.

ESI business climate indicator



Source: European Commission, Santander

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FX market

Today's opening			
EURPLN	4.5179	CZKPLN	0.1722
USDPLN	3.7240	HUFPLN*	1.2387
EURUSD	1.2131	RUBPLN	0.0501
CHFPLN	4.1128	NOKPLN	0.4351
GBPPLN	5.1871	DKKPLN	0.6075
USDCNY	6.4691	SEKPLN	0.4469

*for 100HUF

Last session in the FX market						2/25/2021
	min	max	open	close	fixing	
EURPLN	4.502	4.516	4.503	4.515	4.514	
USDPLN	3.679	3.708	3.699	3.692	3.694	
EURUSD	1.217	1.224	1.218	1.223	-	

Interest rate market 2/25/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.20	9
DS0725 (5Y)	0.86	10
DS1030 (10Y)	1.58	17

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.26	1	0.19	1	-0.52	2
2L	0.49	6	0.24	3	-0.46	4
3L	0.68	7	0.43	11	-0.40	6
4L	0.91	10	0.66	14	-0.32	8
5L	1.12	13	0.87	16	-0.23	11
8L	1.51	14	1.34	14	-0.04	9
10L	1.70	14	1.54	12	0.11	11

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	0.22	1
3x6	0.24	1
6x9	0.29	1
9x12	0.34	4
3x9	0.30	1
6x12	0.38	4

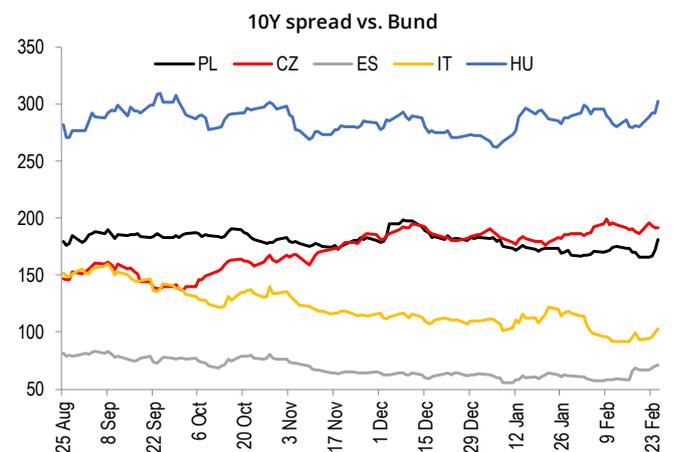
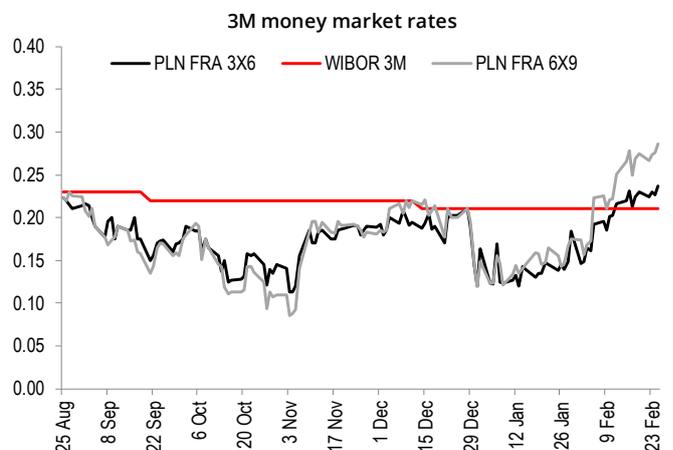
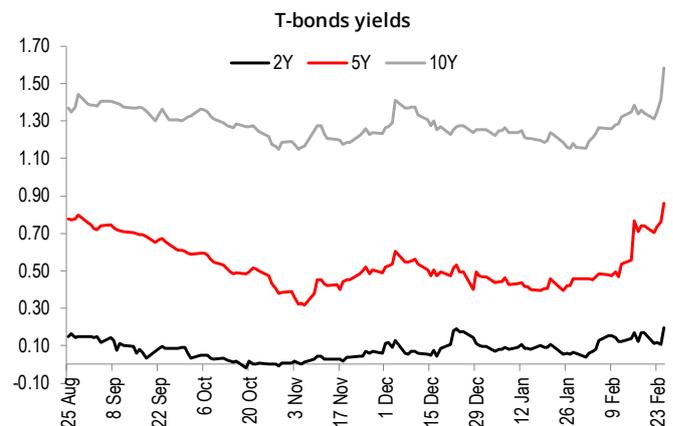
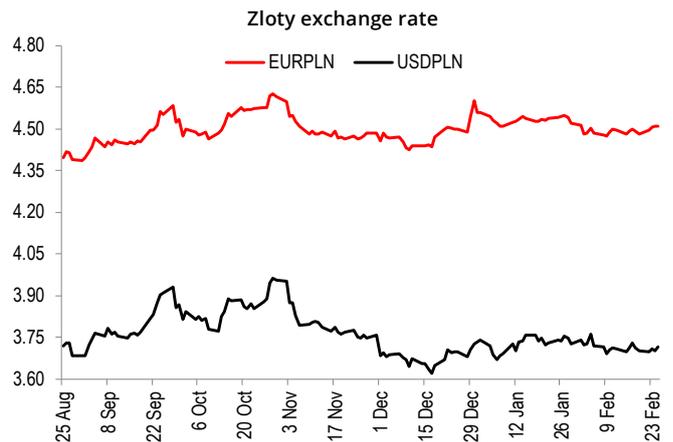
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	181	10
France	7	-1	26	0
Hungary	59	0	302	10
Spain	35	0	71	1
Italy	47	2	103	3
Portugal	21	1	60	2
Ireland	10	0	38	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	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	-	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	-	93.4	91.5
14:30	US	Durable Goods Orders	Jan	% m/m	1.1	-	3.4	1.2
14:30	US	GDP Annualized	4Q	% Q/Q	4.2	-	4.1	4.0
14:30	US	Initial Jobless Claims	week	k	838	-	730	841
16:00	US	Pending Home Sales	Jan	% m/m	0.0	-	-2.8	0.5
FRIDAY (26 February)								
10:00	PL	GDP	4Q	% y/y	-	-2.8	-	-1.5
14:30	US	Personal Spending	Jan	% m/m	2.5	-	-	-0.2
14:30	US	Personal Income	Jan	% m/m	9.5	-	-	0.6
14:30	US	PCE Deflator SA	Jan	% m/m	0.2	-	-	0.4
16:00	US	Michigan index	Feb	pts	76.5	-	-	76.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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