

1 March 2021

# Eyeopener

## Debt markets keep selling off

Better than expected macroeconomic data, but equities in red  
 Poland's GDP growth in 4Q in line with expectations  
 Zloty's unsuccessful appreciation, EURUSD lower  
 Today manufacturing PMIs in Europe, ISM in the USA

At the end of the week, main stock indexes fell amid concerns about fast rise of yields. Meanwhile, core debt market stabilized on Friday after the recent sharp weakening and the 10Y UST yield eased 4bp to 1.46% and Bund -5bp to -0.26%. The market is pricing a number of rate hikes in the US already (for example, by 100bp until the end of 2023) which boosted the dollar. This weighed on the majority of the EM currencies, including the zloty. The Brent oil price fell 2% to US\$62.4/bbl, gold and silver also cheapened. The US macro data beat expectations.

**GDP in 4Q20** was confirmed at flash -2.8% y/y and -0.7% q/q sa. Details proved to be roughly in line with our estimates based on the annual data. We think that the GDP growth will remain sluggish in 1Q21 (close to zero in q/q sa terms), there is also an increasing risk that the weakness may be prolonged in to 2Q, as the third wave of Covid-19 seems to be around the corner. Nevertheless, we stick to the view that in 2H21 the economic growth will gain pace significantly as vaccination rollout will be progressing. Our forecast for 2021 sits at +4.6%. Find more in our Friday's [Economic comment](#).

On Friday, **EURUSD** fell by 0.9% to 1.212, then briefly to below 1.210. Taking under consideration that as soon as on Thursday EURUSD was closing on 1.225 and there were hopes for further upside moves, it becomes apparent that EURUSD is under more and more influence from the interest rates differential between the US and the Eurozone. If so, the currency pair can extend falls to 1.203 at the start of the week.

**EURPLN** on Friday started the day at an elevated 4.525, after which it abruptly declined to 4.508 – the daily minimum – by 0.4%. In the second part of the day EURPLN again started to increase and closed at 4.522. The option prices used to hedge against the upside moves have also become noticeably more expensive which might be correlated with the upcoming Supreme Court ruling regarding the CHF mortgages and might suggest that upside moves might be extended in the short term.

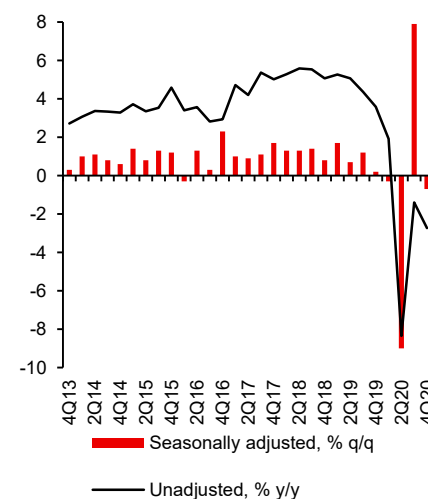
As to the **other CEE regional currencies**, EURHUF have not changed (362.0) however during the day traded as high as 362.5 and as low as 360.5. EURCZK declined by just 0.1% to 26.2 in a correctional move from the earlier many-days increases. EURCZK upside moves might be continued in the nearest days due to worsening pandemic situation in Czechia. USDRUB remained unchanged near 74.7..

On the **domestic interest rate market**, FRAs remained at an elevated level (e.g. 9x12 at 0.34%) or rose strongly (e.g. 21x24 to 0.82% from 0.70%). Taking into consideration that WIBOR 3M is currently at 0.21%, the market has clearly started to price in rate hikes in Poland within two years. IRS rose from 3bp on 2Y (to 0.50%) to 4bp for 5Y (to 1.14%) and 3bp on 10Y (to 1.74%). The bond curve was as usual stable on the short end. 5Y yield was at 0.86% (+1bp) and 10Y at 1.59% (+4bp). In January the share of non-residents on the local debt market rose to PLN139.3bn (+PLN5.5bn), so to 17.7% from 17.1%. The bond holdings by domestic banks rose to PLN432.4bn (+PLN2.0bn), which means that its share decreased to 54.8% from 55.1%.

The **Ministry of Finance** informed that in March it will hold one switch auction (on Thursday, 4 March) and one outright auction (on Thursday, 25 March) worth approximately PLN3-6bn. **NBP** said it will buy bonds as part of its QE program on Wednesday, 17 March.

Today in Poland **manufacturing PMI will be released**. Our forecast points to further improvement to 53.0pts reflecting debt performance of the Polish producers. This scenario is supported by a significant rise of flash PMIs for the euro zone and Germany and pick-up in the other economic activity indexes. Manufacturing is holding strong but recall that this was the case in 4Q21 when the value added in this sector rose by 4.8% y/y (!) but this did not prevent the whole economy from stagnation.

Polish GDP growth



Source: GUS, Santander

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### FX market

#### Today's opening

EURPLN	4.5100	CZKPLN	0.1710
USDPLN	3.7320	HUFPLN*	1.2370
EURUSD	1.2086	RUBPLN	0.0504
CHFPLN	4.1058	NOKPLN	0.4325
GBPPLN	5.2209	DKKPLN	0.6085
USDCNY	6.4634	SEKPLN	0.4439

\*for 100HUF

#### Last session in the FX market 26/02/2021

	min	max	open	close	fixing
EURPLN	4.506	4.527	4.525	4.521	4.518
USDPLN	3.707	3.740	3.723	3.739	3.725
EURUSD	1.209	1.216	1.215	1.209	-

### Interest rate market 26/02/2021

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.16	-4
DS0725 (5Y)	0.88	2
DS1030 (10Y)	1.61	2

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.26	1	0.19	0	-0.52	-1
2L	0.52	3	0.23	-1	-0.47	-1
3L	0.73	5	0.40	-3	-0.42	-2
4L	0.96	5	0.62	-4	-0.38	-6
5L	1.16	4	0.82	-5	-0.31	-8
8L	1.56	5	1.27	-7	-0.11	-7
10L	1.75	5	1.45	-9	0.02	-9

### WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.11	0
2W	0.16	0
1M	0.19	1
3M	0.21	0
6M	0.25	0
1Y	0.25	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	0.22	0
3x6	0.24	0
6x9	0.27	-2
9x12	0.36	2
3x9	0.25	-4
6x12	0.37	-2

### Measures of fiscal risk

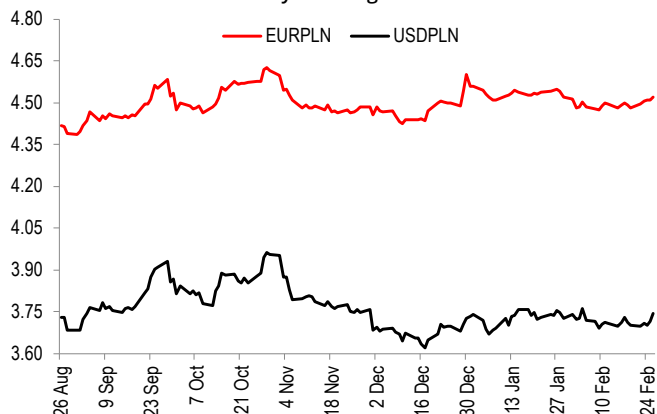
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	187	5
France	8	1	25	-1
Hungary	59	0	299	-3
Spain	36	1	69	-2
Italy	46	-1	103	0
Portugal	22	0	58	-2
Ireland	10	0	36	-2
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

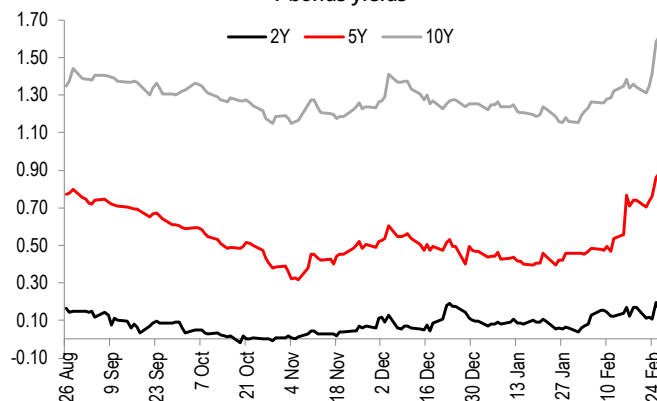
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

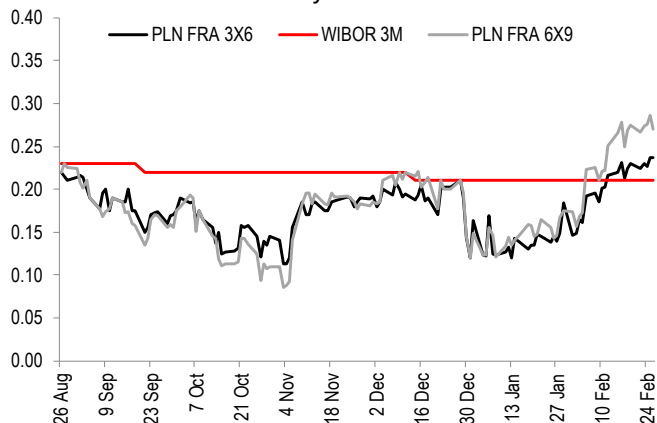
### Zloty exchange rate



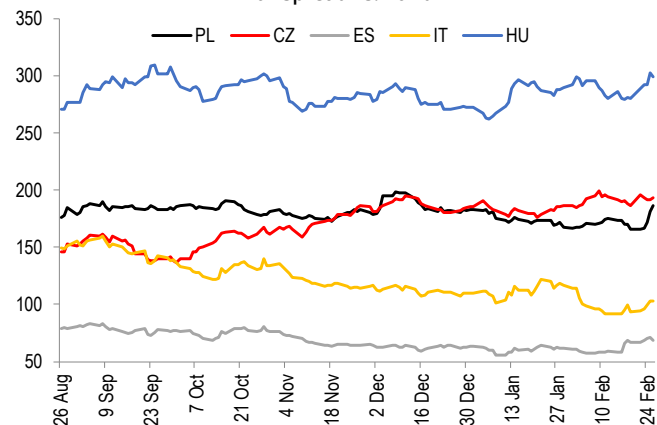
### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
<b>FRIDAY (26 February)</b>							
10:00	PL	<b>GDP</b>	4Q	% y/y	-2.8	-2.8	-2.8
14:30	US	Personal Spending	Jan	% m/m	2.5	2.4	-0.2
14:30	US	Personal Income	Jan	% m/m	9.5	10.0	0.6
14:30	US	PCE Deflator SA	Jan	% m/m	0.3	0.3	0.4
16:00	US	Michigan index	Feb	pts	76.5	76.8	76.2
<b>MONDAY (1 March)</b>							
09:00	PL	<b>Poland Manufacturing PMI</b>	Feb	pts	-	53.0	-
09:55	DE	Germany Manufacturing PMI	Feb	pts	60.6	-	60.6
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	57.7	-	57.7
14:00	DE	HICP	Feb	% m/m	0.0	-	1.4
16:00	US	ISM manufacturing	Feb	pts	58.7	-	58.7
<b>TUESDAY (2 March)</b>							
08:00	DE	Retail Sales	Jan	% m/m	0.9	-	-9.1
09:00	CZ	GDP SA	4Q	% y/y	-4.9	-	-5.0
09:00	HU	GDP	4Q	% y/y	-3.7	-	-3.7
11:00	EZ	Flash HICP	Feb	% y/y	1.1	-	0.9
<b>WEDNESDAY (3 March)</b>							
	PL	<b>MPC decision</b>		%	0.1	0.1	-
02:45	CN	Caixin China PMI Services	Feb	pts	51.5	-	52.0
09:55	DE	Markit Germany Services PMI	Feb	pts	45.9	-	45.9
10:00	EZ	Eurozone Services PMI	Feb	pts	44.7	-	44.7
14:15	US	ADP report	Feb	k	165	-	174
16:00	US	ISM services	Feb	pts	58.7	-	58.7
<b>THURSDAY (4 March)</b>							
11:00	EZ	Retail Sales	Jan	% m/m	-2.0	-	2.0
11:00	EZ	Unemployment Rate	Jan	%	8.3	-	8.3
14:30	US	Durable Goods Orders		% m/m	3.4	-	3.4
14:30	US	Initial Jobless Claims		k	825	-	730
16:00	US	Factory Orders	Jan	% m/m	1.0	-	1.1
<b>FRIDAY (5 March)</b>							
08:00	DE	Factory Orders	Jan	% m/m	1.0	-	-1.9
09:00	HU	Industrial Production SA	Jan	% y/y	-3.6	-	1.1
14:30	US	Change in Nonfarm Payrolls	Feb	k	133	-	49
14:30	US	Unemployment Rate	Feb	%	6.4	-	6.3

Source: Santander Bank Polska, Bloomberg, Parkiet  
\* in the case of a revision the data is updated

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