

2 March 2021

Eyeopener

Some stabilisation on the debt market

Better-than-expected PMIs in the USA and euro zone

Core bond yields stabilise

EURPLN higher following stronger dollar

Slight correction of Polish bonds and IRS rates

Today GDP in Hungary and Czechia

On Monday stock market indices were rising after the surge in bond yields observed in the previous week has decelerated despite better than expected final manufacturing PMIs in the euro zone and Germany (higher by 0.1-0.2 pts) and the clear improvement of US manufacturing ISM. The dollar gained slightly, industrial metal prices decreased, while Brent oil price rose to \$64.8 p/b. German retail sales fell 4.5% m/m in January, while market expected a small increase.

Polish manufacturing PMI pushed in February to 53.4 pts from 51.9 pts, the highest level since mid-2018. Increased demand, domestic and from abroad (highest reading of export orders index since September 2017), put additional pressure on the already strained supply chains. Output index came back to the expansion territory, companies searched for additional employees and intensified their purchasing activity, while utilising their stocks of input as new deliveries were facing delays. Such setup caused a steep rise in input costs and their transmission to clients – the output price index hit the highest level since May 2004. The material shortages are a growing upside risk to inflation outlook for this year, but at the same time we do not expect them to derail the further growth of industrial production.

On Monday **EURUSD** continued declines. The daily drop stood at 0.3% while the 3-day decline (since last Thursday) already at 1.7%. Currently, the 1.203 level constitutes a 100-day moving average, hence breaking the level lower (which we reckon as highly likely in the coming week) may result in EURUSD correcting even towards 1.180.

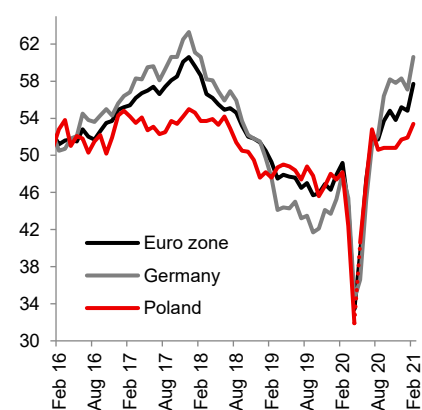
EURPLN after starting the week with a bullish drop of 0.3% to 4.510, later in the day started to increase because of the stronger dollar and hovered near 4.53 on the close of Polish session - up 0.2% on a day. Important local factors which possibly might influence the zloty level are due on Wednesday (MPC rate decision) and on Friday (the online conference of NBP's Adam Glapinski on macroeconomic situation in Poland). That is why in the short term EURPLN may remain under the influence of the strengthening dollar and climb towards 4.55-4.60 area.

In case of other CEE currencies, the forint weakened quite significantly (0.5%) to 363.7 per euro due to a much weaker-than-expected PMI reading in manufacturing: the index declined by more than 5 pts to 49.4 pts. Contrary to the forint, EURCZK dropped yesterday by 0.3% to 26.1. Albeit the Czech manufacturing PMI worsened a bit m/m (-0.5 pts), it still sits at a comfortably high level of 56.6 pts. USDRUB dropped by 1% amid rising oil price and manufacturing PMI beating market expectations (51.5 pts, up by 0.6 pts). We think that in the short term the ruble may outperformed its regional peers.

On the domestic interest rate market, IRS rates remained at heightened levels and the correction was tiny: 1-2bp to 0.50% on 2Y and 4bp to 1.11% on 5Y. 10Y was down 5bp to 1.69%. Also on the longer tenors of government bonds there was a downside correction of yields, letting 10Y close at 1.53%. Market liquidity is decreased, some transactions may shift the market by several bps. As a result the volatility may remain quite high in the coming days.

The Ministry of Finance said that at the end of January **the state debt** amounted to PLN1098bn, only PLN900mn more vs December (+0.1%). PLN-denominated debt amounted to PLN873bn and debt in foreign currencies PLN261bn.

Manufacturing PMI



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.5390	CZKPLN	0.1728
USDPLN	3.7799	HUFPLN*	1.2331
EURUSD	1.2009	RUBPLN	0.0507
CHFPLN	4.1225	NOKPLN	0.4384
GBPPLN	5.2425	DKKPLN	0.6103
USDCNY	6.4738	SEKPLN	0.4467

*for 100HUF

Last session in the FX market						01/03/2021
	min	max	open	close	fixing	
EURPLN	4.508	4.536	4.513	4.535	4.523	
USDPLN	3.729	3.766	3.734	3.762	3.757	
EURUSD	1.203	1.209	1.208	1.205	-	

Interest rate market 01/03/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.07	-9
DS0725 (5Y)	0.83	-5
DS1030 (10Y)	1.53	-7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	-1	0.19	0	-0.53	-1
2L	0.50	-2	0.22	-1	-0.49	-2
3L	0.70	-3	0.38	-2	-0.45	-3
4L	0.91	-5	0.59	-2	-0.40	-3
5L	1.11	-5	0.80	-2	-0.34	-3
8L	1.50	-6	1.29	2	-0.15	-4
10L	1.69	-6	1.48	3	-0.03	-5

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.09	-1
SW	0.11	0
2W	0.16	0
1M	0.19	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	0.22	-2
6x9	0.24	-3
9x12	0.33	-3
3x9	0.28	2
6x12	0.34	-3

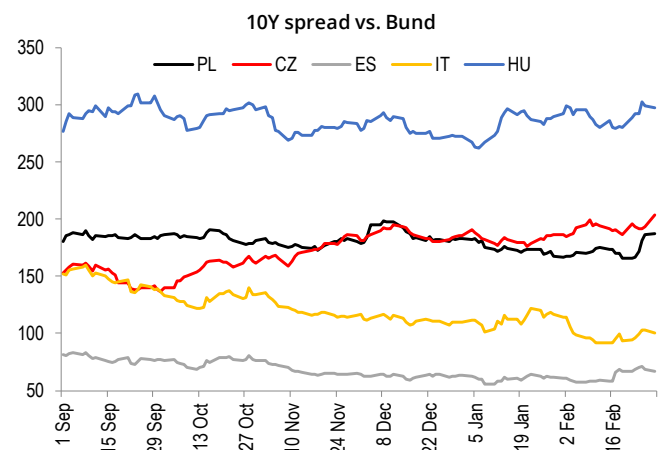
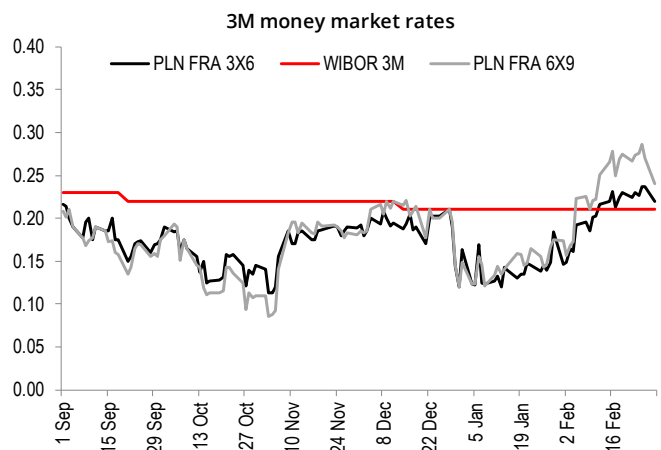
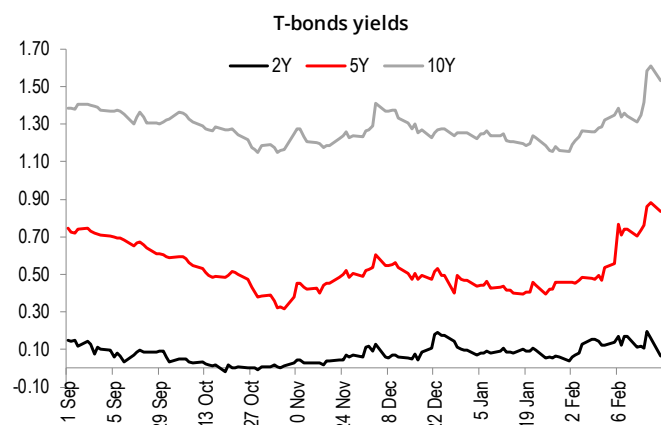
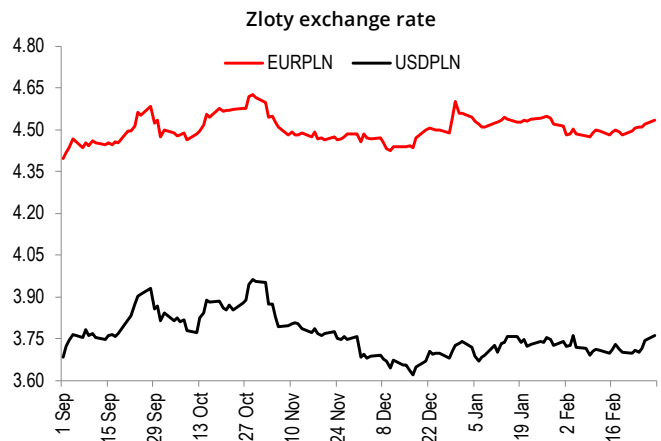
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	187	0
France	8	0	24	-1
Hungary	59	0	298	-1
Spain	35	-1	67	-1
Italy	45	-1	100	-3
Portugal	20	-1	56	-2
Ireland	10	0	35	-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 CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (26 February)							
10:00	PL	GDP	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
MONDAY (1 March)							
09:00	PL	Poland Manufacturing PMI	Feb	pts	52.9	53.0	53.4
09:55	DE	Germany Manufacturing PMI	Feb	pts	60.6	60.7	60.6
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	57.7	57.9	57.7
14:00	DE	HICP	Feb	% m/m	0.5	0.6	1.4
16:00	US	ISM manufacturing	Feb	pts	58.7	60.8	58.7
TUESDAY (2 March)							
08:00	DE	Retail Sales	Jan	% m/m	0.9	-4.5	-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
WEDNESDAY (3 March)							
	PL	MPC decision		%	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
THURSDAY (4 March)							
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
FRIDAY (5 March)							
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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