

3 March 2021

Eyeopener

Today MPC meeting with new forecasts

Stock markets go slightly up

EURPLN fairly stable but with potential to go to 4.55-4.60

Bond yields and IRS stable – in Poland and on core markets

Today MPC decision in Poland and PMIs for services abroad

On Tuesday equity markets were gaining despite much worse than expected data on German retail sales. Bond yields in the core markets did not change much once again and stabilised, partly due to the RBA (Reserve Bank of Australia) decision to keep interest rates on hold. Yield of 10Y UST fluctuated around 1.42% and Bund near -0.33%. Dollar remained strong: dollar index was 1.7% above last week's close. Thus, most of EM currencies (but not all) were depreciating. Commodity prices were rising slightly: crude oil, gold, silver and most of industrial metals.

Financial Supervision Authority (KNF) made an attempt to **estimate the potential impact on banks if they were to reach fx mortgage loans settlements as proposed by the KNF chairman** in December 2020. The key point of the proposal was to treat fx loans as if they were PLN-denominated from the beginning and applying to them a WIBOR rate. The cost of the operation would be at least PLN34.5bn. In a worse case that assumes cancellation of loans (with clients receiving back the paid instalments but banks not getting back the capital), the loss would be way higher.

In 2020, 406.5k **work permits for non-residents** were issued vs 444.7k in 2019 (-8.6%). In 2H20 alone, there were 208.2k of work permits (-8.5k) vs -8.7% in 1H20. Permits for Ukrainians fell 10.6% y/y in 2H20 while for the next most popular nations rose (Belarussians +6.4%, Indian +7.5%).

EURUSD on Tuesday was relatively stable. The start and the end of the session was around 1.204 and during the day the exchange rate decreased slightly below 1.20 (by 0.4%). Larger moves of the fx rate may be triggered by today's US data like services ISM.

EURPLN on Tuesday opened at the highest level since the end of January (4.533) and in the first hours of the day it was going even higher, setting the daily maximum at 4.543. The exchange rate pulled back in the second half of the day to the opening level, but from a mid-term perspective it is above 50- and 100-day moving averages, which indicates the possibility of more zloty weakness in the short term. The weekly realised volatility dropped to 2%, which increases the probability of a larger move.

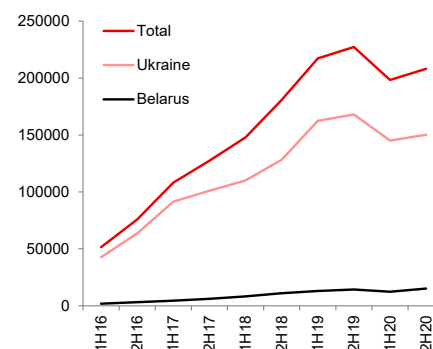
In case of other CEE fx, EURHUF corrected somehow lower to 363.6 but the fx rate is still some 1.5% higher than a week ago. Final 4Q GDP reading was in line with expectations (-3.7% y/y and -1.1% q/q), but producer prices (PPI inflation) for January disappointed slightly. EURCZK was exceptionally stable and closed at 26.15. Czech 4Q GDP was also equal to expectations (-5.0% y/y and +0.3% q/q). USDRUB performed the best in the region – despite cheaper oil – the exchange rate dropped by 0.7% to 73.8 and in our view has more potential to fall.

On the Polish fixed income market, IRS at the front end and belly of the curve increased almost to the last week's peaks: 2Y by 2pb to 0.53%, 5Y by 5pb to 1.15%. Interestingly, the 10Y tenor has not increased that much - just 2pb on a day - and remains still 4pb below the last week's close at 1.75%. The bond curve was on Tuesday much more stable and the levels remained roughly unchanged (2Y at 8pb, 5Y at 0.82%, 10Y at 1.52%). The spread vs the Bund remained at the elevated level of 186pb.

The Ministry of Finances announced details of the upcoming switch auction (Thursday, 4 March). The Ministry will sell five bond series (OK0423, PS1026, WZ1126, DS1030, WZ1131) and it will buy back four series (PS0421, OK0521, PS0721, DS1021).

Today **the MPC is holding its meeting**. Interest rates are likely to be left unchanged and the statement shall sound similar to the previous ones. The most interesting piece could be the new CPI and GDP forecasts. The GDP path for 2021 is likely to be revised upside since the one from November appeared too pessimistic. Inflation has already been high for 2021 so there could be no changes there. Overall, abovementioned changes will rather not support a rate-cut scenario.

Number of job permits for foreigners



Source: Ministry of Development, Labour and Technology, 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	4.5339	CZKPLN	0.1730
USDPLN	3.7489	HUFPLN*	1.2345
EURUSD	1.2092	RUBPLN	0.0511
CHFPLN	4.0944	NOKPLN	0.4435
GBPPLN	5.2398	DKKPLN	0.6095
USDCNY	6.4575	SEKPLN	0.4475

*for 100HUF

Last session in the FX market						02.03.2021
	min	max	open	close	fixing	
EURPLN	4.528	4.543	4.535	4.535	4.535	
USDPLN	3.755	3.784	3.772	3.756	3.777	
EURUSD	1.199	1.208	1.202	1.208	-	

Interest rate market 02.03.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.09	2
DS0725 (5Y)	0.84	0
DS1030 (10Y)	1.52	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.26	1	0.19	0	-0.54	-1
2L	0.53	3	0.22	0	-0.50	-1
3L	0.74	4	0.36	-2	-0.46	-1
4L	0.95	3	0.58	-2	-0.42	-1
5L	1.15	4	0.77	-3	-0.36	-2
8L	1.53	3	1.26	-2	-0.17	-2
10L	1.71	2	1.46	-2	-0.05	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.09	0
SW	0.10	-1
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	0.21	0
3x6	0.23	1
6x9	0.26	2
9x12	0.36	3
3x9	0.30	2
6x12	0.37	4

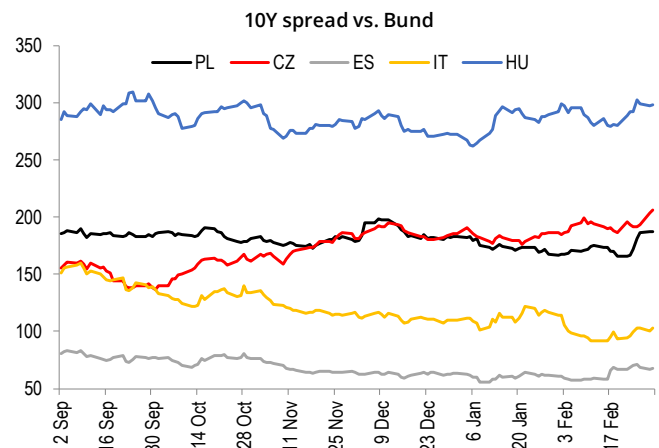
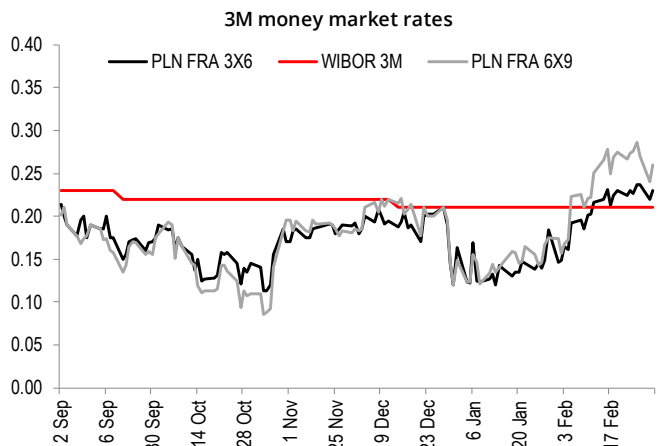
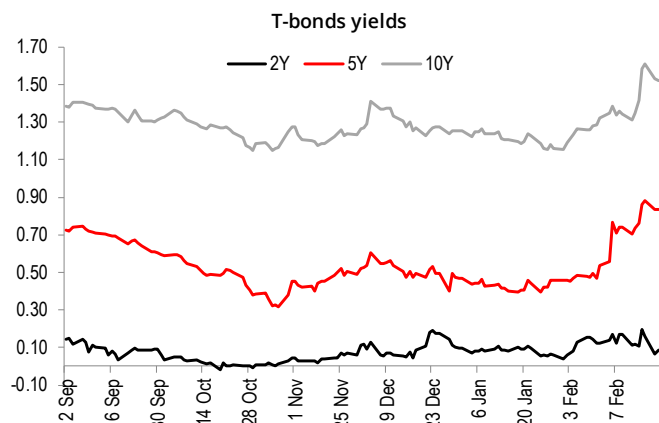
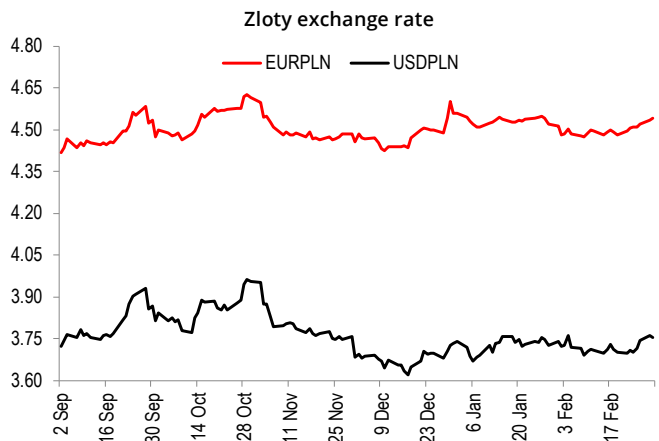
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	187	0
France	8	0	24	0
Hungary	59	0	298	0
Spain	35	0	68	1
Italy	46	1	103	3
Portugal	20	0	57	1
Ireland	10	0	35	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 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	-5.0	-4.7	-5.0
09:00	HU	GDP	4Q	% y/y	-3.7	-3.6	-3.7
11:00	EZ	Flash HICP	Feb	% y/y	0.9	0.9	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
14:00	PL	NBP Videoconference					
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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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.