

4 March 2021

Eyeopener

NBP forecasts revised higher

Stock markets calm, yields strongly up
 NBP rates unchanged, but forecasts revised upwards
 EURPLN volatile, but ended the day only slightly higher
 Polish yields and IRS rates up
 Today retail sales in the euro zone, US industrial orders

Wednesday was rather calm as far as equity markets were concerned - most of the main equity indices have not changed by more than +/- 0.5% vs the previous day's close. The dollar, after a slightly volatile session, settled just 0.2% stronger. Core market bond yields have not been stable, however, and increased at a fast pace: UST to 1.47% (+7bp), Bund to -0.29% (+6bp), which translated into other bond markets, including the Polish one. Higher Eurozone yields might have been additionally supported by the comments from ECB that size of yield increases is not too worrying and no need for drastic action. In the US, employment according to the ADP report increased by less than expected and in general is growing at a rather moderate pace due to Covid-19 related restrictions. Similarly, services ISM printed below expectations due to weather surprises and supply chain disruptions.

The Monetary Policy Council kept all the policy parameters unchanged, with the main rate at 0.10%. The NBP staff projections update resulted in an even higher CPI path than in the November edition (the mid-point for 2021 up to 3.15% from 2.5%, 2022 up to 2.8% from 2.6%) and a substantial upgrade of 2021 GDP growth (3.95% vs 2.65% previously). For the first time the projection covered 2023 and showed that inflation is going to stay much above the official target then (mid-point at 3.2%) while GDP growth is going to be 5.4%, as in 2022. Despite this clearly bullish changes to the forecasts, the tone of the MPC statement has not changed. We will have to wait until Friday's NBP governor's video conference to hear more about the current monetary policy bias. The NBP's GDP forecast is now among the most bullish on the market and the CPI forecast, although it hasn't moved much, sits above the inflation target in 2021-2023 (albeit below the upper bound of tolerable deviations). We think that we will now hear much less about the possibility of rate cuts from the MPC. But at the same time, it still seems very far away until the central bank starts changing its rhetoric towards more hawkish. We think it is quite possible that Adam Glapiński on Friday may try to talk down the building market expectations for policy tightening in the coming years. Overall, we do not change our view that interest rates will remain on hold at least until the end of the MPC's term of office (early 2022).

The new Inflation Report with more details about the NBP economic forecasts will be published on Monday, 8 March at 10:00 CET.

Finance minister Tadeusz Kościński told Bloomberg news agency that in his view the banking sector should not count on any government support while converting CHF mortgage loans.

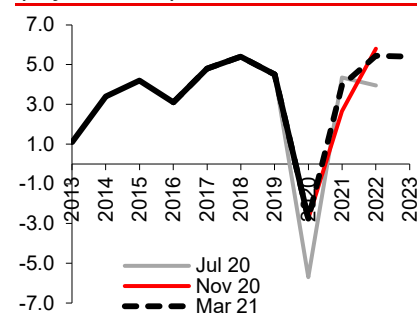
EURUSD on Wednesday decreased by 0.2% to 1.208. Further increase of US bond yields may lead to a fall of the exchange rate to 1.182, or the 200-day moving average in the coming days.

EURPLN yesterday rose by 0.2% to 4.548. However in the meantime it was seen relatively low (4.53) before the finance minister's comment came out. After the news the fx rate jumped 0.5% to 4.553, after which it settled near the closing level. The exchange rate is currently at the highest level since the end of January and if it breaks through 4.56 then the road is open to testing 4.60.

In case of the other CEE currencies, EURHUF was pretty calm and stayed near 364.15, EURCZK was also quite stable trading around 26.17. USDRUB rose 0.3% to 74 despite rising oil price (Brent up 3.4% to US\$64.5/bbl).

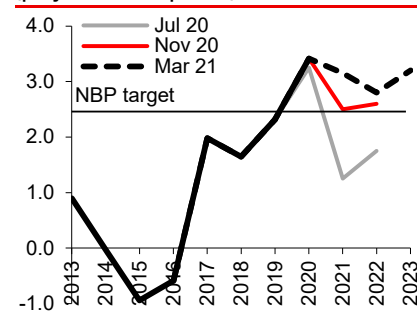
On the domestic interest rate market short-term yields inched up, 2Y +1bp to 0.10% while longer tenors moved more: 5Y +7bp to 0.89%, 10Y +9bp to 1.61%. Polish bonds lost more than bonds abroad and so the 10Y PL-DE bond yield spread is already at 191bp. IRS also moved noticeably up: 2Y +6bp to 0.58%, 5Y +10bp to 1.25%, 10Y +10bp to 1.80%. The IRS 2-10 spread is at 122bp, its highest since early 2014.

GDP growth according to NBP projections (projection mid-points)



Source, NBP: Santander

CPI growth according to NBP projections (projection mid-points)



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.5450	CZKPLN	0.1734
USDPLN	3.7713	HUFPLN*	1.2360
EURUSD	1.2053	RUBPLN	0.0511
CHFPLN	4.1011	NOKPLN	0.4436
GBPPLN	5.2617	DKKPLN	0.6113
USDCNY	6.4679	SEKPLN	0.4473

*for 100HUF

Last session in the FX market						03.03.2021
	min	max	open	close	fixing	
EURPLN	4.530	4.552	4.540	4.545	4.539	
USDPLN	3.745	3.777	3.757	3.764	3.751	
EURUSD	1.204	1.211	1.208	1.207	-	

Interest rate market 03.03.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.13	5
DS0725 (5Y)	0.92	8
DS1030 (10Y)	1.62	9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.28	2	0.19	1	-0.53	0
2L	0.58	5	0.23	2	-0.49	1
3L	0.83	9	0.39	3	-0.45	1
4L	1.06	12	0.62	4	-0.39	2
5L	1.25	11	0.82	5	-0.33	3
8L	1.63	10	1.31	5	-0.12	5
10L	1.81	10	1.52	5	0.02	6

WIBOR rates

Term	%	Change (bps)
O/N	0.09	0
T/N	0.10	1
SW	0.10	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	0.25	2
6x9	0.29	3
9x12	0.40	5
3x9	0.30	0
6x12	0.32	-5

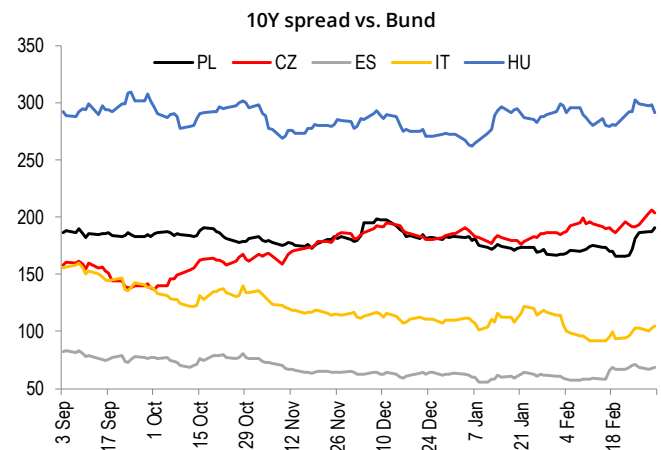
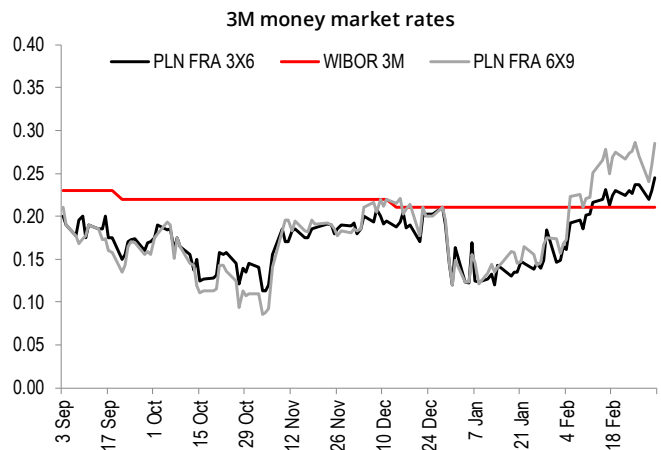
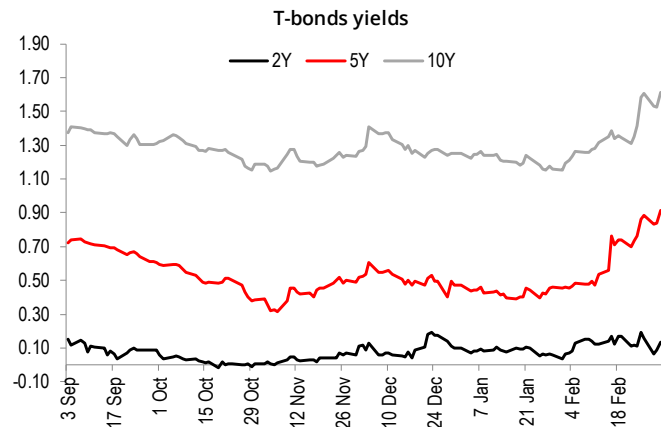
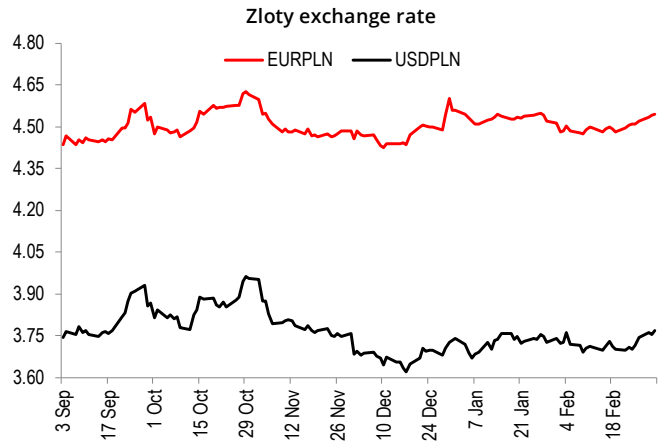
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	191	4
France	8	0	24	0
Hungary	59	0	291	-7
Spain	35	0	68	1
Italy	46	0	104	1
Portugal	20	0	57	0
Ireland	10	0	37	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



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	0.1
02:45	CN	Caixin China PMI Services	Feb	pts	51.5	51.7	52.0
09:55	DE	Markit Germany Services PMI	Feb	pts	45.9	45.7	45.9
10:00	EZ	Eurozone Services PMI	Feb	pts	44.7	45.7	44.7
14:15	US	ADP report	Feb	k	205	117	195
16:00	US	ISM services	Feb	pts	58.7	55.3	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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