

5 March 2021

Eyeopener

Today US non-farm payrolls

Stock markets down, Powell disappointed
 Core market yields up
 EURUSD lower with downward potential, EURPLN higher
 Polish registered unemployment up in February
 Today NBP head's videoconference, US non-farm payrolls

On Thursday most European equity indices fell by around 0.5% while the Bund yield dropped by 3pb to -0.33% after January euro zone retail sales data disappointed. In the US the factory orders data beat expectations and the dollar gained vs the basket of developed market currencies by 0.2%, the 10Y UST yields stabilized for the first time in a few days (1.47%) as the market awaited Jerome Powell's speech (Polish evening hours) who was expected to confirm the Fed's commitment to the dovish monetary policy. Fed's head said that he is aware of the bond market sell-off and will not stand by if the financing conditions tighten further. Investors were disappointed by the lack of details, however, and the 10Y UST increased further to 1.55% and stock markets recorded further losses. Today German factory orders data slightly beat expectations.

At the **OPEC+ meeting** (OPEC and Russia) it has been agreed that Saudi Arabia extends its voluntary decrease of output by 1mn barrels for another month, while Russia has been allowed to increase its output a bit (by 0.15mn barrels per day). The Brent oil price rose yesterday by 5.5% to US\$68/barrel.

Seasonally adjusted LFS unemployment rate decreased in January to 3.1% from 3.2% in December, which means that it was only marginally higher than a year ago (3.0% in January 2020). What is more, it is now the lowest in the entire EU – so far Czechia was in the lead, but saw a rise to 3.2%. Average LFS unemployment rate in the EU is 7.3% vs 6.6% a year ago. In turn, according to the Labour Ministry's estimates, **in February the registered unemployment rate** was 6.6% after a rise of the number of the unemployed by 10.2k. This is quite surprising as in the previous years there was typically a m/m fall in February and the reopening of shopping malls and hotels should have encouraged more hiring. Our estimates indicate that the number of the employed used by GUS to calculate the registered unemployment rate decreased in January by c.50k (the ministry uses previous months employment to provide its estimate of registered unemployment rate).

Moody's rating agency lowered Poland's GDP growth forecast in 2021 to 3.3% from 4% and in 2022 it expects a 3.8% growth. This is currently one of the lowest Polish growth forecasts on the market and the decrease goes against the current trend. The next Polish rating review by Moody's is planned for 30 April 2021.

EURUSD fell 0.5% to 1.2025 and approached support levels reached on February 8th and 17th that held so far. This time, however, there are higher chances for the EURUSD down move to continue towards 1.18.

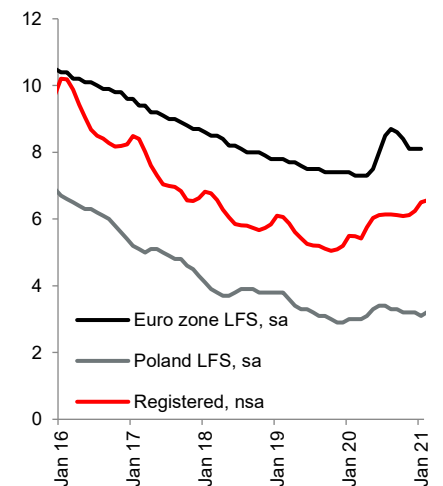
EURPLN rose for a yet another day on Thursday, this time +0.3% to 4.558. Since February 19 (less than two weeks), the exchange rate rose 1.18% already. In the short term, we expect the upside move to continue towards 4.60.

In case of the other CEE currencies, EURHUF rose slightly to 364.9 nearing the December peak of 365. Breaking above this level opens the door to October peak 369. Hungarian retail sales surprised to the upside. EURCZK rose marginally to 26.25 and the nearest resistance is at 26.5. The ruble basket fell and was testing 80.3 for the third time already which translated into USDRUB drop by 0.5% to 73.6. We think the ruble could gain in the short term.

At the Polish interest rate market the IRS rates kept rising: 2Y +3bp to 0.61%, 10Y +2bp to 1.82%. The short end of the bond yield curve moved up to 0.14% and 10Y yields did not move much, hovering near 1.60%. The 10Y spread against Bund reached 191bp.

The Ministry of Finance has held a switching bond auction on Thursday, at which it has bought back four series of bonds (PS0421, OK0521, PS0721, DS1021) worth PLN3.44bn in total and sold bonds worth PLN3.56bn (OK0423, PS1026, WZ1126, WZ1131). After the tender the budget's gross borrowing needs have been financed in 55%.

Unemployment rate, %



Source, Eurostat, Labour Ministry, 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	4.5643	CZKPLN	0.1734
USDPLN	3.8185	HUFPLN*	1.2495
EURUSD	1.1957	RUBPLN	0.0513
CHFPLN	4.1056	NOKPLN	0.4441
GBPPLN	5.2953	DKKPLN	0.6138
USDCNY	6.4753	SEKPLN	0.4483

*for 100HUF

Last session in the FX market						04.03.2021
	min	max	open	close	fixing	
EURPLN	4.543	4.559	4.545	4.555	4.554	
USDPLN	3.766	3.791	3.769	3.782	3.785	
EURUSD	1.202	1.206	1.205	1.204	-	

Interest rate market 04.03.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.15	2
DS0725 (5Y)	0.90	-2
DS1030 (10Y)	1.59	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.29	0	0.21	2	-0.53	1
2L	0.61	3	0.23	0	-0.48	1
3L	0.86	4	0.41	2	-0.44	1
4L	1.09	3	0.65	3	-0.39	1
5L	1.28	3	0.87	5	-0.33	0
8L	1.64	1	1.39	8	-0.12	0
10L	1.83	2	1.60	8	0.02	0

WIBOR rates

Term	%	Change (bps)
O/N	0.09	0
T/N	0.10	0
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	0
3x6	0.24	-1
6x9	0.28	0
9x12	0.43	3
3x9	0.30	0
6x12	0.40	8

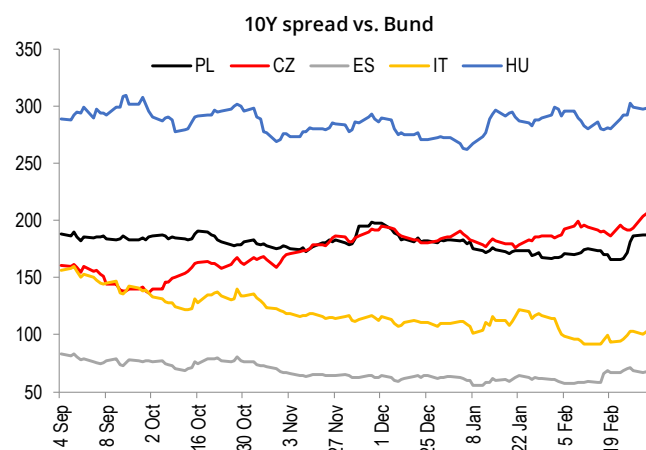
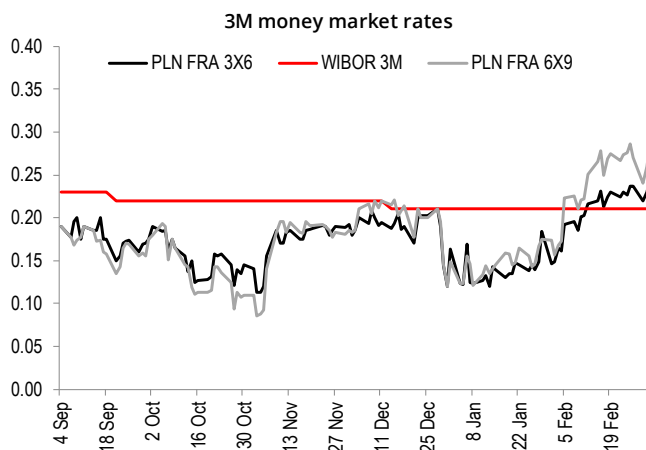
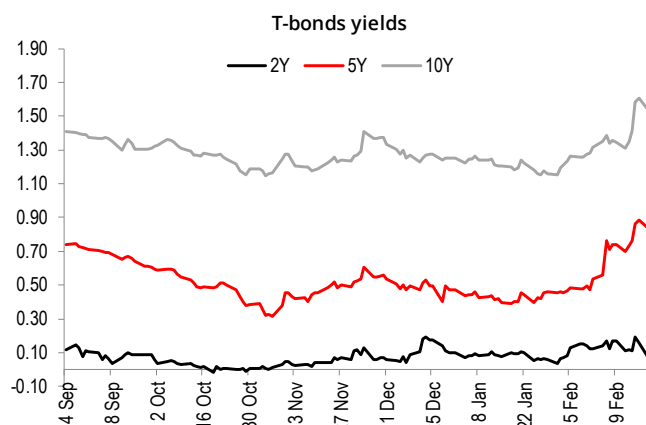
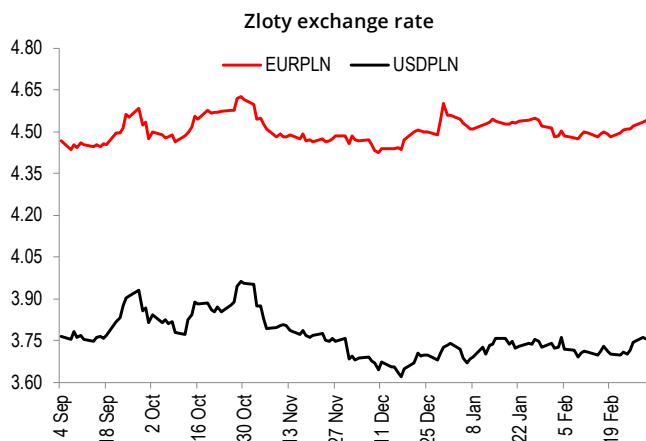
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	190	-1
France	8	0	25	1
Hungary	59	0	299	8
Spain	35	0	69	1
Italy	46	0	107	2
Portugal	20	0	59	2
Ireland	10	0	37	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	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	-1.4	-5.9	2.0
11:00	EZ	Unemployment Rate	Jan	%	8.3	8.1	8.3
14:30	US	Durable Goods Orders		% m/m	3.4	3.4	3.4
14:30	US	Initial Jobless Claims		k	750	745	730
16:00	US	Factory Orders	Jan	% m/m	2.1	2.6	1.1
FRIDAY (5 March)							
08:00	DE	Factory Orders	Jan	% m/m	1.0	1.4	-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.