

Eyeopener

Dollar stronger again, zloty weaker

Calm start of the week on the financial markets

NBP: GDP path revised higher, risks tilted to the downside

Zloty and other CEE currencies under the pressure of strong dollar

Bonds in Poland and abroad stable

Today, Hungarian inflation, euro zone GDP, US fiscal package approval

During the European session the sentiment on the financial markets was quite positive. European stock indexes were steadily increasing, taking advantage of stabilisation of German bond yields. In the USA, some of the equity indexes closed the day with a loss, but gains dominated again the Asian session. The dollar continued to strengthen on Monday which weighed on EM fx. Oil and gold prices decreased yesterday by c.1%.

NBP Inflation Report showed that the upward revision vs the November inflation projection in 2021 came totally from energy prices. In 2022 core inflation is expected to contribute less to headline CPI than in the previous projection, but quicker rise of food and energy components more than offset this decline. Core inflation is expected to weaken throughout 2021 to 2.2% in 4Q21 and to change direction in early 2022 as the output gap switches to positive values. The positive GDP path revision was based on stronger contribution of private consumption (c.0.5pp more in 2021 and 2022, thanks to wage growth accelerating systematically to 7.5% in 2023 from 5.3% in 2022 amid unemployment rate low enough to provide wage pressure throughout the whole projection). However, according to the authors the balance of risks is negative for both GDP and CPI paths.

MPC member Eryk Łon said yesterday that interest rate hikes will not be needed till the end of the current MPC's term. Another MPC member **Eugeniusz Gatnar** is of the opinion that the current inflation projection, despite being higher than the November 2020 one, is "too cautious". He thinks that in the MPC there is no majority to support a possible rate hike.

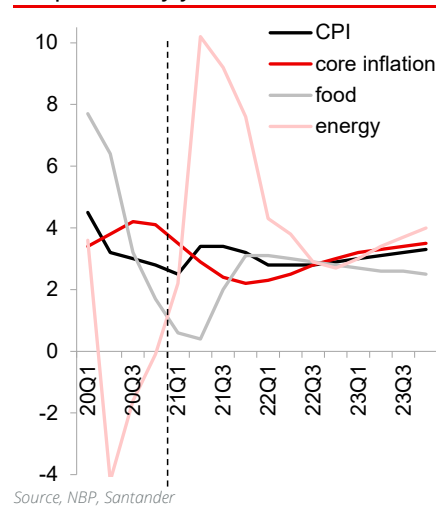
EURUSD fell yesterday for a fourth session in a row and reached a new YTD minimum near 1.185. The current week might turn out to become a third one in a row in which the dollar would strengthen vs the euro. The percentage change of EURUSD over the previous three weeks suggests the pace of decline has been the fastest since April 2020. This makes more likely than not that the strength of the impulse which drives EURUSD lower might soon weaken. The EURUSD might correct higher, as a result. Today in the morning, German exports data, which beat expectations significantly, might contribute to such a correction. We think, however, that as the markets await a final vote on the Joe Biden's fiscal package (today in the evening) as well as the Thursday's ECB rate decision - the EURUSD might remain near the current low levels.

EURPLN registered yesterday the sixth growth session in a row and tested 4.60. USDPLN spent some time above 3.88 yesterday, setting this year's high. The zloty is depressed by stronger dollar, other CEE currencies have also been affected negatively. Since the middle of February, when most of EM currencies started to weaken, EURPLN rose by c.3%. EURCZK 3.1%, EURHUF by 3.55% so it looks like the uncertainty linked to the Polish Supreme Court ruling (25 March) on fx mortgage loans is not a key issue for the zloty right now, as the Polish currency does not underperform the koruna and the forint.

As regards **other CEE currencies**, the start of the week brought a weakening. USDRUB climbed by 0.55% to 74.5 but remained in a horizontal trend 73-75 visible since mid-February. EURCZK jumped by 0.3% and has temporarily surpassed 367.4, i.e. was by 0.1% higher than Friday close. Over the last weeks, Poland, Czechia and Hungary have seen rising number of Covid-19 cases, which could have been a factor behind their weakening and at the same time explained their underperformance versus the ruble (Russia sees a slight decline in the number of cases).

On the **domestic interest rate market** yields and IRS stabilized or fell marginally on Monday benefiting from the fact that core bond yields remained below their Friday's peaks. No big changes at the start of the week despite a noticeable rise of the European stock indexes may suggest that bonds will stay near their current levels awaiting the Thursday's ECB decision.

NBP inflation projection: CPI and main components, %y/y



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FX market

Today's opening			
EURPLN	4.5959	CZKPLN	0.1738
USDPLN	3.8761	HUFPLN*	1.2387
EURUSD	1.1856	RUBPLN	0.0520
CHFPLN	4.1407	NOKPLN	0.4541
GBPPLN	5.3571	DKKPLN	0.6179
USDCNY	6.5293	SEKPLN	0.4518

*for 100HUF

Last session in the FX market						08/03/2021
	min	max	open	close	fixing	
EURPLN	4.580	4.603	4.583	4.595	4.590	
USDPLN	3.844	3.883	3.847	3.878	3.867	
EURUSD	1.184	1.191	1.191	1.185	-	

Interest rate market 08/03/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.13	-3
DS0725 (5Y)	0.90	-1
DS1030 (10Y)	1.62	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.24	-1	0.20	1	-0.53	0
2L	0.48	-6	0.25	2	-0.48	1
3L	0.74	-7	0.44	3	-0.43	2
4L	0.99	-6	0.70	4	-0.37	2
5L	1.21	-4	0.93	4	-0.30	3
8L	1.64	1	1.42	1	-0.09	2
10L	1.84	2	1.62	1	0.05	3

WIBOR rates

Term	%	Change (bps)
O/N	0.10	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	0.23	1
6x9	0.24	1
9x12	0.29	-6
3x9	0.29	3
6x12	0.34	-2

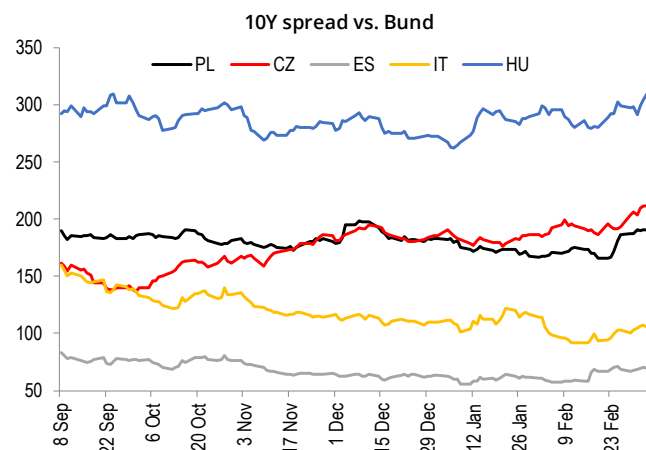
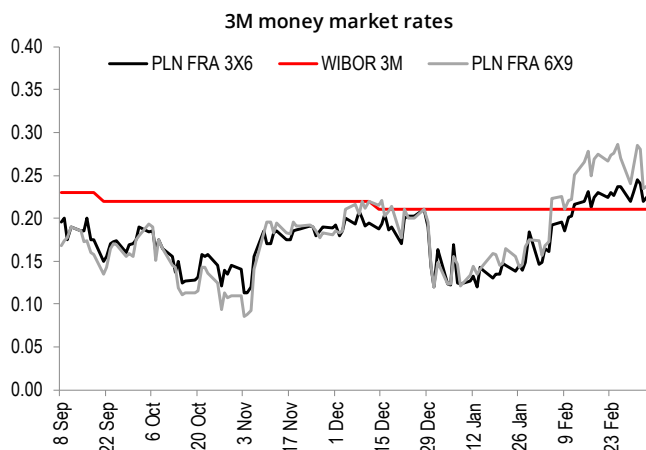
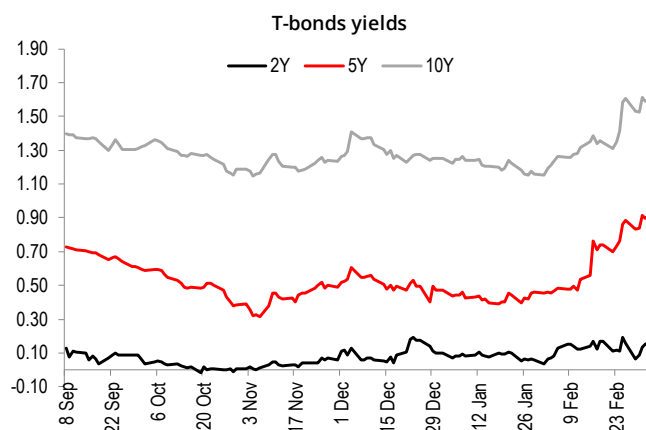
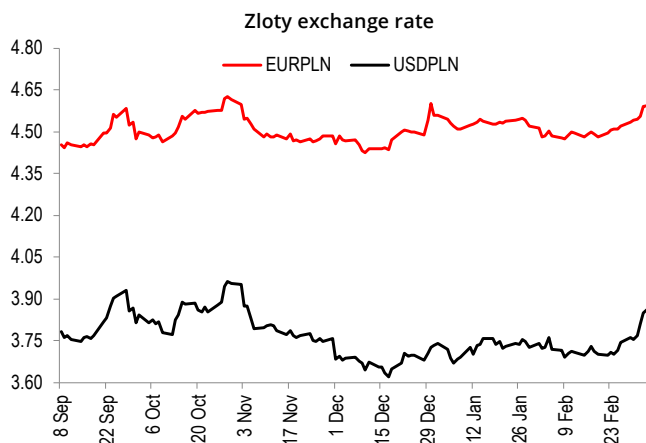
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	190	-1
France	8	0	24	-2
Hungary	59	0	319	15
Spain	33	-1	68	-2
Italy	45	-1	103	-4
Portugal	20	0	58	-2
Ireland	10	0	35	-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	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
CET								
FRIDAY (5 March)								
08:00	DE	Factory Orders	Jan	% m/m	0.5	-	1.4	-1.9
09:00	HU	Industrial Production SA	Jan	% y/y	-3.5	-	-6.7	5.8
14:30	US	Change in Nonfarm Payrolls	Feb	k	197	-	379	166
14:30	US	Unemployment Rate	Feb	%	6.3	-	6.2	6.3
MONDAY (8 March)								
08:00	DE	Industrial Production SA	Jan	% m/m	-0.4	-	-2.5	0.0
10:00	PL	NBP Inflation Report						
TUESDAY (9 March)								
08:00	DE	Exports SA	Jan	% m/m	-1.8	-	1.4	0.4
09:00	HU	CPI	Feb	% y/y	3.1	-		2.7
11:00	EZ	GDP SA	4Q	% y/y	-5.0	-		-5.0
WEDNESDAY (10 March)								
09:00	CZ	CPI	Feb	% y/y	2.2	-		2.2
14:30	US	CPI	Feb	% m/m	0.4	-		0.3
THURSDAY (11 March)								
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:30	US	Initial Jobless Claims	week	k	750	-		745
FRIDAY (12 March)								
08:00	DE	HICP	Feb	% m/m	0.5	-		0.6
09:00	CZ	Industrial Production	Jan	% y/y	-4.5	-		5.8
11:00	EZ	Industrial Production	Jan	% m/m	-0.5	-		-1.6
16:00	US	Flash Michigan index	Mar	pts	78.5	-		76.8

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

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