

10 March 2021

Eyeopener

Today inflation in Czechia and USA

Another calm day in the financial markets
Dollar weakening supportive for CEE currencies
Bonds stable, at least for a while
Today inflation data in Czechia and USA

The Tuesday session brought some respite to the EM currencies and bonds, while the European stock indexes were still rising (albeit less than on Monday). The dollar gave back some of the recent gains. The final reading of 4Q GDP in the euro zone showed a smaller y/y decline than expected, but at the same time larger vs 3Q. The OECD published its new economic forecasts: global GDP is expected to grow 5.6% this year and 4% in 2022 against 4.2% and 3.7% predicted in December. Global GDP may be boosted by more than 1% thanks to the fiscal package being prepared in the USA. OECD also forecasts that in 2021 the euro zone economy will grow by 3.9% and in 2022 by 3.8%, which is 0.3% and 0.5% more than estimated in December. The Organisation highlights that the materialisation of the base scenario requires a quicker rollout of vaccines and a continuation of fiscal support.

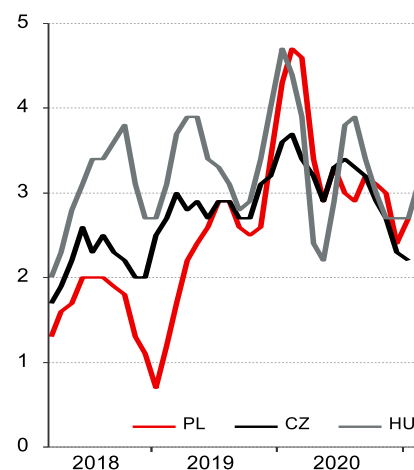
EURUSD ended the streak of downward sessions at four and rebounded to 1.19 from 1.183 yesterday. Today in the afternoon we will see the February US inflation, in the evening the US House of Representatives is to enact the new fiscal package and tomorrow the ECB meeting ends. It seems that the possible rise in US inflation is already priced-in and today's reading can affect the trade only if it is markedly above expectations. Monday low at 1.184 is in our view an important support and if this is broken, then EURUSD has an open way towards 1.16.

EURPLN slid below 4.60 and ended the day at 4.58. USDPLN offset its whole Monday rise and was close to 3.84 at the end of the day. The zloty benefitted from the EURUSD rebound. EURUSD quotations will be the crucial factor affecting the zloty in the upcoming days.

In case of the **other CEE currencies**, the ruble outperformed. USDRUB eased 0.7% thanks to weaker dollar and despite cheaper oil. EURCZK fell 0.55% to 26.25 and EURHUF 0.3% to 366.6. In line with expectations, Hungarian CPI rose in February to 3.1% y/y from 2.7% y/y, its highest since September. In response to the recent rise of volatility on the bond market, the Hungarian central bank adjusted its government purchase program and has lifted limits of engagement in a particular bond series. Since the start of the year, the 10Y Hungarian bond yields rose from 2.1% to 2.85%. Today Czech CPI will be released.

On the **domestic interest rate market** Tuesday's session was similar as on Monday: IRS and bond yields remained quite stable or decreased slightly. It was supported by the calming down of core debt markets, where investors are awaiting today's US inflation data and tomorrow's ECB meeting. 10Y yield spread against German Bund stabilised near 190bp in the second half of the day after its rise from 170bp in the second half of February. The spread vs. US 10Y benchmark narrowed yesterday to 2bp, while at the end of the last year it was near 15bp.

CPI inflation in CEE region (% y/y)



Source: Refinitiv Datastream, Santander

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FX market

Today's opening			
EURPLN	4.5661	CZKPLN	0.1741
USDPLN	3.8440	HUFPLN*	1.2467
EURUSD	1.1877	RUBPLN	0.0519
CHFPLN	4.1330	NOKPLN	0.4517
GBPPLN	5.3307	DKKPLN	0.6138
USDCNY	6.5099	SEKPLN	0.4506

*for 100HUF

Last session in the FX market						09/03/2021
	min	max	open	close	fixing	
EURPLN	4.570	4.597	4.595	4.575	4.584	
USDPLN	3.840	3.880	3.876	3.849	3.851	
EURUSD	1.185	1.192	1.185	1.188	-	

Interest rate market 09/03/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.13	0
DS0725 (5Y)	0.90	0
DS1030 (10Y)	1.58	-5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.23	-2	0.20	0	-0.54	-1
2L	0.43	-5	0.25	-1	-0.48	0
3L	0.66	-7	0.43	-1	-0.44	-1
4L	0.92	-7	0.66	-3	-0.38	-1
5L	1.13	-9	0.88	-5	-0.32	-2
8L	1.55	-9	1.36	-6	-0.11	-2
10L	1.75	-10	1.54	-8	0.02	-2

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	0.21	-1
3x6	0.21	-2
6x9	0.22	-2
9x12	0.27	-2
3x9	0.27	-2
6x12	0.32	-2

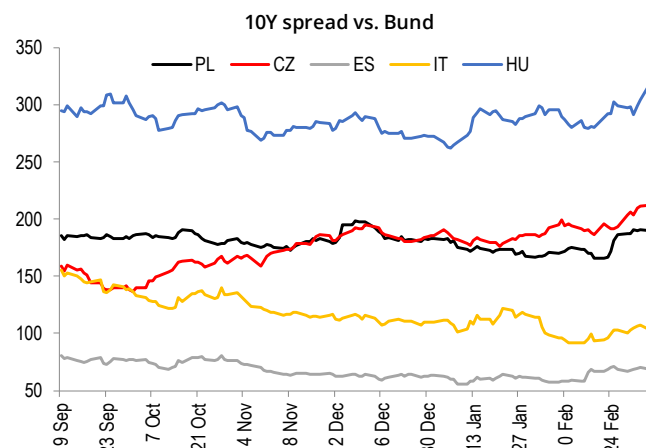
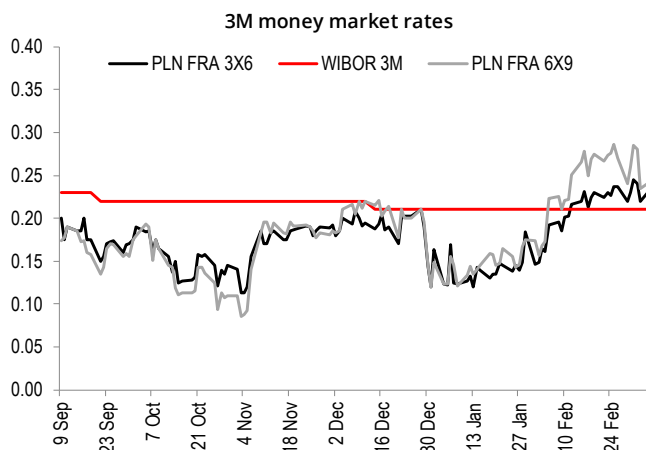
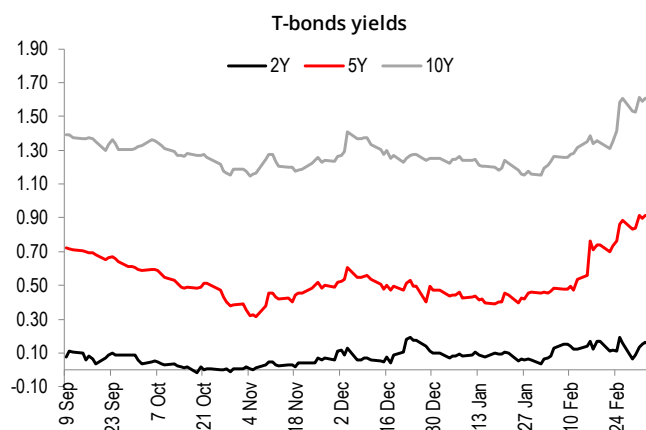
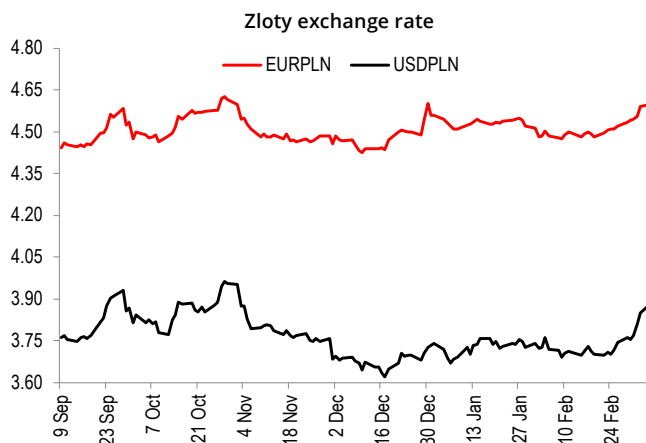
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	188	-2
France	8	0	25	0
Hungary	59	0	316	-3
Spain	33	0	68	0
Italy	44	-1	100	-3
Portugal	21	0	57	-1
Ireland	10	0	36	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	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
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	-	3.1	2.7
11:00	EZ	GDP SA	4Q	% y/y	-5.0	-	-4.9	-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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