

11 March 2021

Eyeopener

Awaiting the ECB

Lower core inflation in the USA supported equity markets
 CEE currencies slightly weaker, EURUSD stable
 Little changes in the debt market again
 ECB decision today

On Wednesday, the exchange markets again took advantage of halted upward trend of bond yields. German DAX set a new record high. Risk assets were supported yesterday by the US data. The US CPI rose in line with expectations, but core inflation was below consensus and this was what caught investors' attention. No clear signals confirming the rise of inflationary pressure – the factor that was strongly pushing bond yields higher in the recent weeks – was yesterday a support for bonds. The dollar lost a bit vs the developed markets currency basket which in turn allowed the EM currencies to retain the gains from the previous day (CEE, Asia) or even to strengthen some more (Latam). In the evening the US House of Representatives gave the final approval to the **fiscal stimulus package** worth US\$1.9trn and president Joe Biden is expected to sign it on Friday. Introduction of the package should support economic growth in the coming quarters. The Democrats have been announcing that they will now switch to preparing another stimulus based on infrastructure expenditures.

Today is the final day of the **ECB meeting**. In the last two weeks the bank representatives, including the chairwoman Christine Lagarde, tried to verbally influence the market to halt or at least slow down the rise of bond yields. ECB will present today new forecasts of inflation (most likely revised higher) and GDP (probably not changed much). The issue if the central bank manages to convince investors that it is ready to stop the rise of yields may set the debt market trend for the next days and weeks.

In 4Q20 the **demand for labour** in the Polish economy still seemed muted. The difference between newly created and destroyed workplaces amounted to 37.6k versus 64k in 3Q and this was the weakest result (apart from 2Q20) – since the 2013 slowdown. In annual terms, this measure fell by 29.2% while one quarter earlier it was -7.4%. Job creation was slower than in 3Q (-20% y/y vs -16.4% earlier), while job destruction was somewhat faster (-12.1% y/y versus -24% in 3Q). In 4Q20, the pandemic was blamed for layoffs less often than before – in 12% of cases versus 26% in 3Q20.

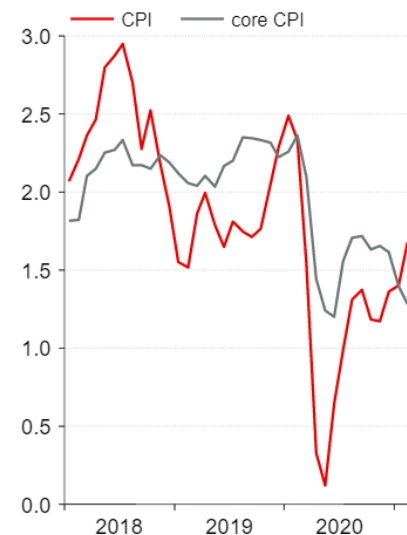
EURUSD was hovering in a 0,5%-wide range around Tuesday's close of c1.19. The US inflation data weighed on the dollar but only temporarily as the perspective of today's ECB decision was limiting the EURUSD upside potential. The exchange rate is hovering near important support of 1.184 and the outcome of the ECB meeting could determine the direction for the nearest future.

EURPLN neutralized yesterday roughly half of the Tuesday's drop and reached the daily peak at nearly 4.56 vs 4.56 seen at the opening. Since the start of February, EURPLN is very sensitive to EURUSD swings and changes of the latter in reaction to the signals from the ECB may have an important impact on the zloty.

In case of **other CEE currencies**, the ruble remained stable vs the dollar despite a rebound in oil price. Since mid-February, USDRUB is trading in a 73-75 range. EURCZK and EURHUF rose c0.15% to 26.23 and 367 respectively, holding near their local peaks. The Czech CPI surprised since it fell unexpectedly in February to 2.1%, its lowest since December 2018. The recent inflation readings in the CEE region do not give a clear signals – Hungarian CPI rose noticeably, Czech fell marginally. On Monday, Poland inflation will be released – we expect it fell to 2.6% from 2.7%.

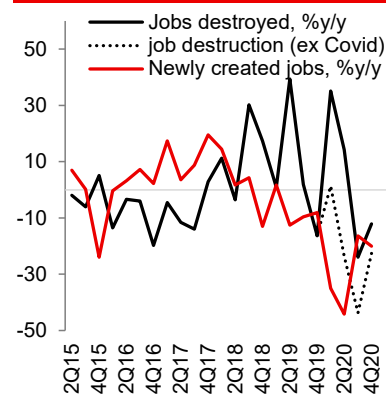
On the **Polish interest rate market** the situation was similar as in the previous two days of the week, as investors were calmly waiting for today's ECB. The curve steepness was also stable. 10Y spread to Bund went down to 187bp and to Treasuries to below 2bp. Yesterday the state-owned BGK bank issued medium- and long-term bonds worth PLN6.2bn (PLN671mn at top-up auction). This was the first BGK auction this year to supply the pandemic fund. Until now, BGK issued bonds with face value over PLN107bn. Plan for this year is up to PLN33.2bn.

US inflation (% y/y)



Source: Refinitiv Datastream, Santander

Job creation and destruction, % y/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.5742	CZKPLN	0.1742
USDPLN	3.8357	HUFPLN*	1.2451
EURUSD	1.1930	RUBPLN	0.0521
CHFPLN	4.1209	NOKPLN	0.4552
GBPPLN	5.3417	DKKPLN	0.6149
USDCNY	6.4981	SEKPLN	0.4525

*for 100HUF

Last session in the FX market						10/03/2021
	min	max	open	close	fixing	
EURPLN	4.561	4.579	4.570	4.573	4.572	
USDPLN	3.831	3.855	3.849	3.843	3.842	
EURUSD	1.187	1.192	1.187	1.190	-	

Interest rate market 10/03/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.10	-3
DS0725 (5Y)	0.89	-1
DS1030 (10Y)	1.55	-3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	2	0.20	0	-0.53	0
2L	0.44	1	0.25	0	-0.49	-1
3L	0.68	2	0.41	-3	-0.44	-1
4L	0.93	1	0.64	-3	-0.39	-1
5L	1.15	2	0.86	-2	-0.32	-1
8L	1.55	0	1.33	-3	-0.12	-1
10L	1.74	-1	1.51	-3	0.01	-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	0
3x6	0.22	1
6x9	0.24	1
9x12	0.30	3
3x9	0.28	1
6x12	0.33	1

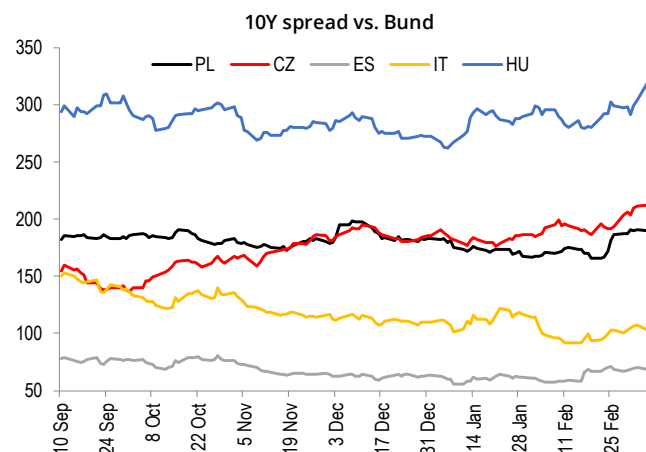
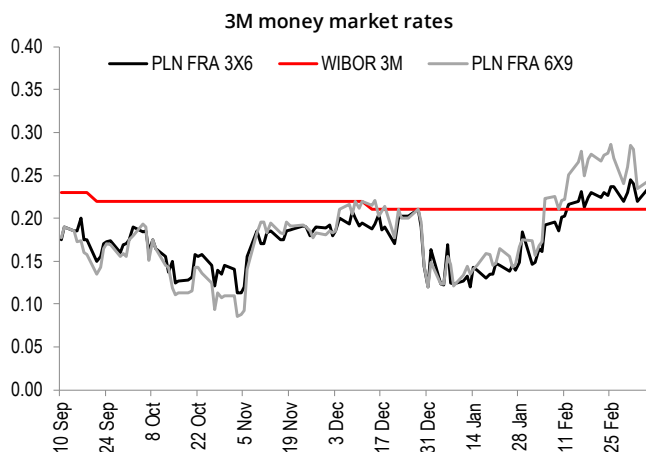
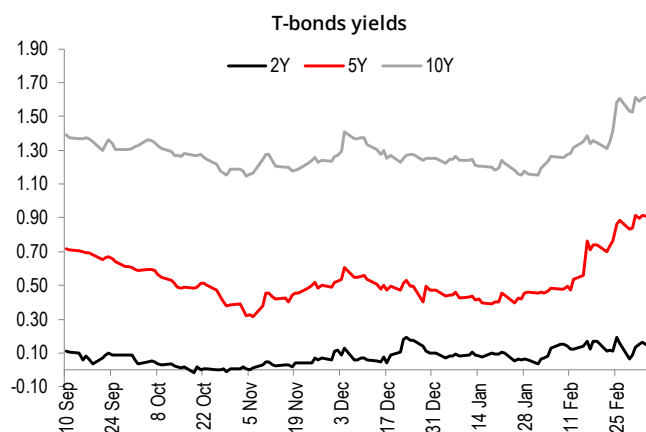
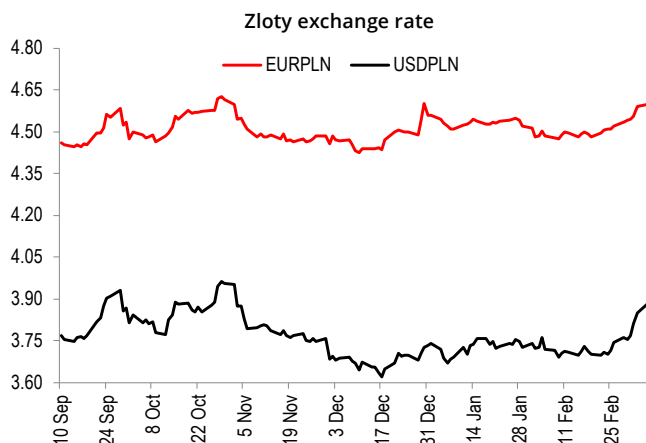
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	186	-2
France	8	0	25	1
Hungary	59	0	315	0
Spain	32	-1	67	0
Italy	44	-1	99	-1
Portugal	21	0	56	-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	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	-	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	-	2.1	2.2
14:30	US	CPI	Feb	% m/m	0.4	-	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	725	-		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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