

12 March 2021

Eyeopener

NBP following ECB's footsteps

NBP follows ECB's cue, announcing acceleration of asset purchases
 Cautious optimism in financial markets persists
 Zloty weaker, other CEE currencies stronger, EURUSD higher
 Polish bonds trimming earlier losses
 Today, data from Europe and USA

On Thursday the global market mood was quite decent. The dollar was under pressure while the European equities and core bonds were still under the positive impact of the Wednesday's inflation US data. In the afternoon, more support came from the ECB. Just like a day earlier, this was a supportive environment for the EM currencies, this time also some CEE currencies managed to gain.

In line with expectations, the **ECB** kept interest rates and the size of its bond purchase programs unchanged. In the statement, the bank announced, however, that the pace of bond buying under the PEPP program will accelerate in the coming months although no exact amounts were mentioned. According to the ECB, the medium term risks are more balanced while in the short term downside risks prevail. The bank presented new HICP and GDP forecasts. Inflation for 2021 was revised to 1.5% from 1%. Scenario for the next years did not change much and in 2022 HICP is expected to ease to 1.2% and rise to 1.4% in 2023. GDP forecasts were altered by no more than 0.1pp vs December estimates. The ECB expects the euro zone economy to grow 4% this year after a c7% drop in 2020, in 2022 +4.1%, in 2023 +2.1%. During the press conference, governor Lagarde said these estimates did not take into account the US fiscal package. During the press conference, the euro gave up all gains recorded vs the dollar earlier in the day and the 10Y Bund corrected roughly half of the yield drop seen before the decision.

In the evening the **NBP** released a statement informing that due to rising bond yields it is mulling whether to increase flexibility and frequency of bond tenders, i.e. probably to increase the scale of bond purchases. On one hand this comes as a surprise, as during the press conference last Friday the NBP governor Glapiński calmed down that rise of yields is no reason to worry, as it reflects higher optimism about economic outlook (seemingly following the Fed guidance). Moreover, yields declined since this conference. On the other hand, the MPC complained in the statements that the zloty is too strong partly due to lower pace of QE in Poland vs more developed economies and the NBP was promoting articles stating that increase of asset purchases could be a good idea. Anyway, the change in approach to QE could result in lower yields and weaker zloty.

Since Monday the Masovian and Lubuskie voivodships will be **covered by stricter anti-pandemic regulations**, as already are the Warmińsko-Mazurskie and Pomorskie. This means a closure of shopping centres, sports facilities, cultural institutions. The health minister said that it may happen that another expansion of restrictions will be country-wide. Yesterday more than 21k new Covid-19 cases were found in Poland, the most since November.

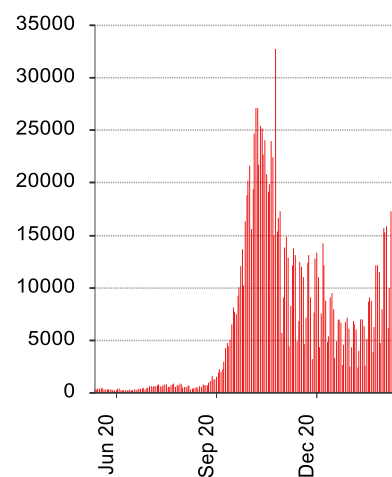
EURUSD rose to 1.197 before the ECB decision and near the end of the day was close to 1.195. This means that for the third day running it moved away from the important support at 1.184. We think that the final working day of the week will not bring much movement in EURUSD.

Yesterday **EURPLN** was quite volatile. After the start of the session it went down to 4.56 and rebounded to 4.58 at the end of the session. Maybe the zloty was affected by a major rise in Covid-19 infections in Poland and decision to extend pandemic restrictions. Today in the morning EURPLN is close to 4.59 – the currency will not be supported by information about possible QE enhancement.

The other **CEE currencies** performed better than the zloty. EURHUF fell 0.55% to below 365, EURCZK 0.1% to 26.17. USDRUB remained near 73.4, close to the lower end of 73-75 range it has been holding since mid-February.

On the **domestic interest rate market** mid- and long-term IRS and bond yields fell. Since Monday, the 10Y bond yield and 2Y, 5Y and 10Y IRS rates fell c15bp. As a result, the change in the curve slope was seen mainly in case of the bond one. Thursday was also a yet another day of spreads recovery. The 10Y spread vs Bund narrowed to 182bp and vs the UST to -4bp. The NBP statement about likely increase of the Polish QE should favour lower yields though the core market shall be key to determine the broader trend.

Daily number of new Covid-19 cases in Poland



Source: Refinitiv Datastream, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
 Piotr Bielski +48 22 534 18 87
 Marcin Luziński +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	4.5849	CZKPLN	0.1747
USDPLN	3.8404	HUFPLN*	1.2425
EURUSD	1.1943	RUBPLN	0.0522
CHFPLN	4.1384	NOKPLN	0.4533
GBPPLN	5.3530	DKKPLN	0.6165
USDCNY	6.4961	SEKPLN	0.4521

*for 100HUF

Last session in the FX market 11/03/2021

	min	max	open	close	fixing
EURPLN	4.561	4.587	4.575	4.582	4.581
USDPLN	3.812	3.843	3.835	3.826	3.829
EURUSD	1.192	1.198	1.193	1.198	-

Interest rate market 11/03/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.13	3
DS0725 (5Y)	0.88	-1
DS1030 (10Y)	1.50	-5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.24	-1	0.19	-1	-0.54	-1
2L	0.44	0	0.24	0	-0.49	-1
3L	0.65	-3	0.41	1	-0.45	-1
4L	0.90	-4	0.65	1	-0.40	-1
5L	1.11	-4	0.86	0	-0.34	-1
8L	1.50	-5	1.34	0	-0.13	-1
10L	1.68	-6	1.53	2	0.00	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
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	0
6x9	0.24	0
9x12	0.29	-1
3x9	0.28	0
6x12	0.32	-1

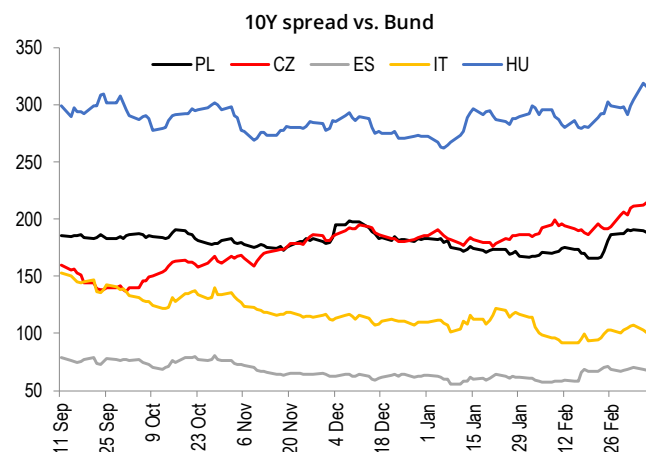
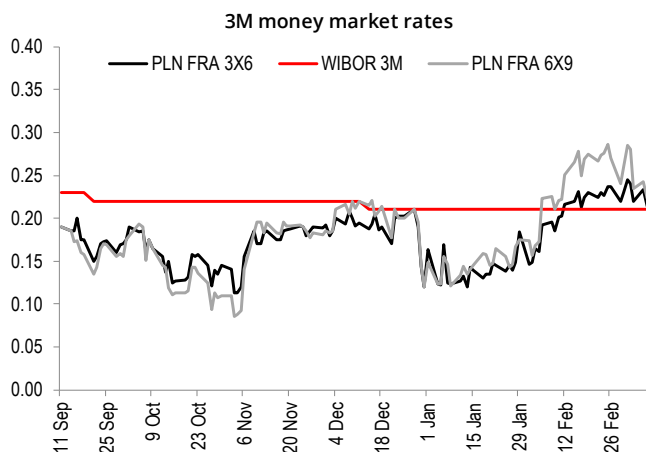
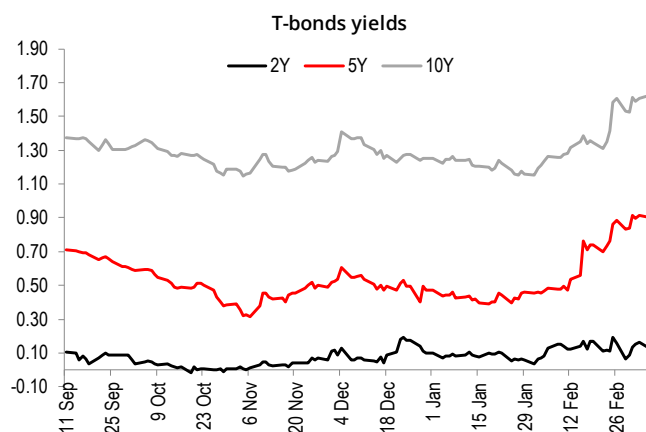
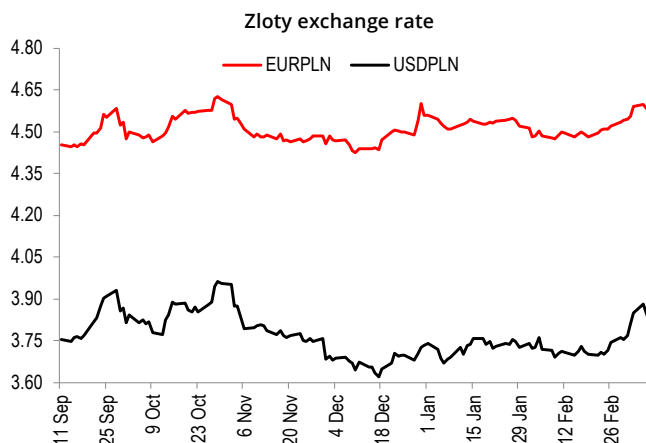
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	183	-3
France	7	0	24	-1
Hungary	59	0	306	-9
Spain	31	-1	64	-3
Italy	42	-2	94	-5
Portugal	20	0	52	-4
Ireland	10	0	35	-1
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	0.0
14:30	US	Initial Jobless Claims	week	k	725	-	712	754
FRIDAY (12 March)								
08:00	DE	HICP	Feb	% m/m	0.6	-		0.6
09:00	CZ	Industrial Production	Jan	% y/y	0.6	-		5.8
11:00	EZ	Industrial Production	Jan	% m/m	0.2	-		-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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.