

16 March 2021

# Eyeopener

## Polish yields down after lower CPI

Equities gain after China and US data  
Stronger dollar weighs on the CEE currencies  
Polish IRS and yields down  
Today Polish core CPI and balance of payments data

On Monday equity markets were gaining after better than expected data from China (industrial output, retail sales). Dollar strengthened slightly and bond yields in the core markets remained stable (10Y UST 1.61%, Bund -0.32%). Markets stabilised in expectation for tomorrow's FOMC meeting. Most of EM currencies were also quite stable. Wholesale prices in Germany rose 2.3% y/y – the highest rise since 2018 – due to climbing prices of metals and iron crude. US Empire Index in manufacturing beat expectations in March reaching 17.4pts. Prices of precious metals did not change, while the crude oil price declined (-1.4%) due to stronger dollar.

**Poland February CPI** fell to 2.4% y/y (consensus and our call: 2.6%) from 2.6% after revision of CPI basket in January. The CPI basket revision was quite significant, and in line with our estimates. However, the effect on CPI was negative contrary to our expectations. While CPI was lower than expected, core inflation was probably higher than we thought: 3.9% in January and 3.6% in February (vs. 3.7% in December). We think that CPI is likely to go up in the upcoming months and exceed 3% and even 3.5%, while 2021 average should remain close to 3%. Core inflation is likely to decline, in our view to about 2.5% on average in 2021. Such CPI developments should be comfortable for the Polish MPC and rates are to remain on hold. Find more in our yesterday's [Economic comment](#).

**The NBP president Adam Glapiński** said he intends to run for a second term as central bank head (his current term ends in June 2022). Glapiński reiterated that chances for interest rate changes are “close to zero”. He added, however, should risk of high inflation or deflation appear, the NBP will react. He also announced that the NBP will buy 100 tonnes of gold in the upcoming few years. **MPC member Eryk Łon** said that he would not rule out cuts in a scenario when the pandemic does not retreat. Łon gathered that central bankers should be flexible and creative. He also supported the notion of NBP purchasing corporate bonds and of widening the tolerance band around NBP target to +/- 2 percentage points from current +/- 1 pp.

**EURUSD** went down by 0.3% to 1.1915 exactly to Friday minimum. Ahead of tomorrow's FOMC meeting the dollar is likely to gain, in our view, and EURUSD could reach 1.1850.

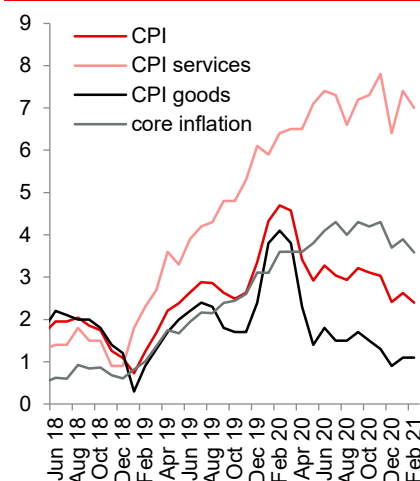
**EURPLN** rose 0.2% on Monday to 4.591 after earlier in the day the February CPI reading missed expectations. The negative factors on the horizon (the ruling regarding foreign currency mortgages, possible QE increase by the NBP) makes us think that the zloty will weaken going forward towards 4.65 per euro.

**As to the other CEE currencies**, EURCZK hovered around 26.2 for a third session in a row, while very low and worse than expected retail sales reading has not managed to weaken the koruna. EURHUF increased by 0.2% to 367.5 and soon might breach 368 (last week's high) and then continue rising. USDRUB declined as the only in the region – on Monday by 0.4%. This fact in the context of cheaper oil and stronger dollar points, in our opinion, to the fact that rouble might gain in the days ahead and outperform its CEE peers.

**On the Polish fixed income market** the IRS curve moved lower by 1-4bp and the tenors of 2Y, 5Y and 10Y closed at 0.47%, 1.16% and 1.71% respectively. 2Y bond yields have not changed (0.06%) while the 5Y and 10Y declined by around 3bp to 0.87% and 1.51%. The spread vs Bund closed at 184bp.

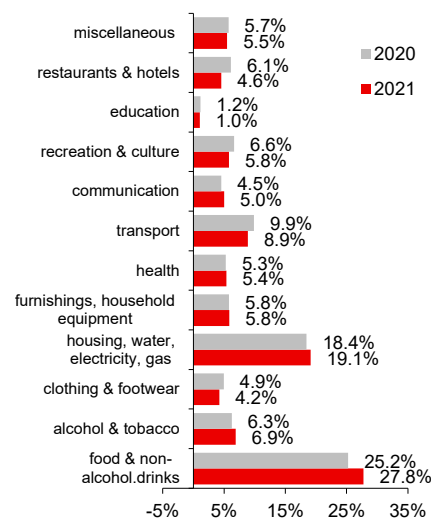
**The Ministry of Finance** said that as of end of February 2021 the balance of foreign currencies remaining on the budgetary accounts stood at EUR15.2bn vs EUR10.7bn at the end of January 2021, an increase of EUR4.5bn. In the meantime, EUR471mn has been paid out servicing the foreign debt (both capital and coupons).

### CPI and selected components, % y/y



Source: GUS, Santander

### CPI weights in 2020 and 2021



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.5904	CZKPLN	0.1750
USDPLN	3.8518	HUFPLN*	1.2355
EURUSD	1.1917	RUBPLN	0.0528
CHFPLN	4.1501	NOKPLN	0.4539
GBPPLN	5.3232	DKKPLN	0.6171
USDCNY	6.5016	SEKPLN	0.4511

\*for 100HUF

Last session in the FX market						3/15/2021
	min	max	open	close	fixing	
EURPLN	4.577	4.591	4.581	4.588	4.584	
USDPLN	3.836	3.855	3.838	3.849	3.843	
EURUSD	1.191	1.194	1.193	1.192	-	

**Interest rate market** 3/15/2021

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.06	-3
DS0725 (5Y)	0.89	-4
DS1030 (10Y)	1.51	-5

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.24	-1	0.20	0	-0.54	0
2L	0.47	-2	0.25	0	-0.50	-1
3L	0.70	-4	0.44	0	-0.46	-2
4L	0.95	-4	0.67	-2	-0.40	-1
5L	1.17	-3	0.90	-2	-0.34	-2
8L	1.55	-2	1.40	-2	-0.13	-3
10L	1.72	-5	1.60	-3	0.01	-2

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	0
T/N	0.09	-1
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	0.22	-1
6x9	0.23	-2
9x12	0.29	-3
3x9	0.25	-1
6x12	0.33	3

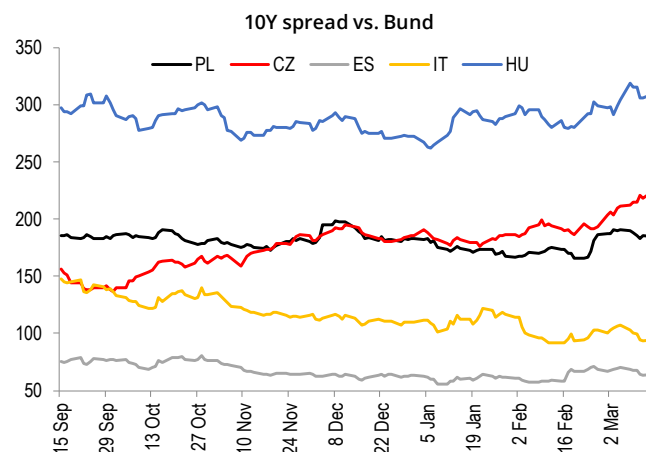
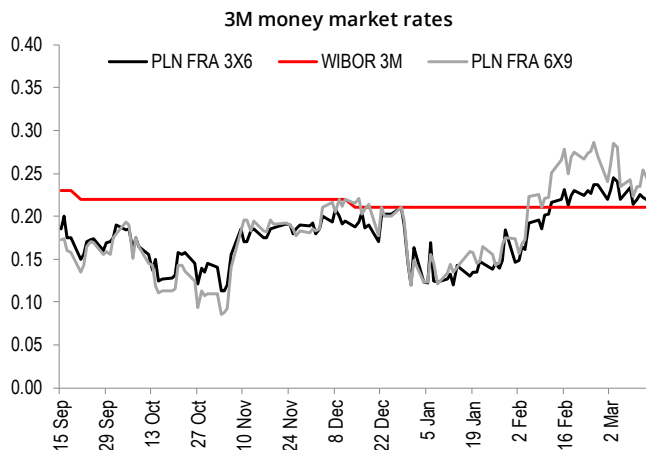
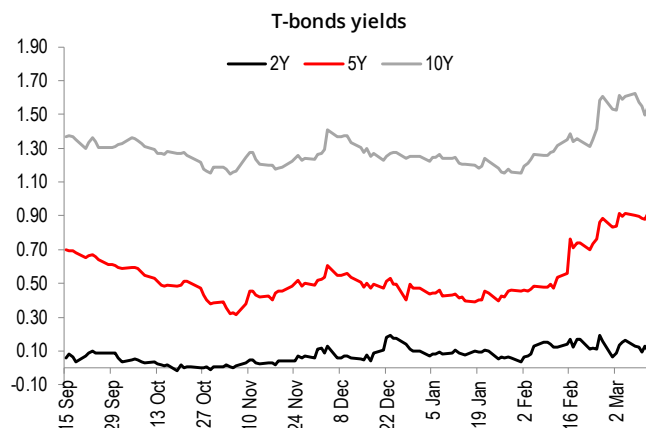
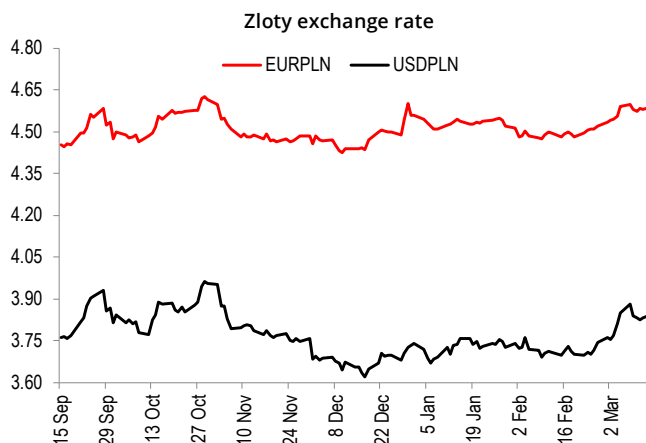
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	185	-1
France	7	0	25	0
Hungary	59	0	310	4
Spain	31	0	64	1
Italy	43	1	94	1
Portugal	20	0	52	2
Ireland	10	0	35	1
Germany	7	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 VALUE	LAST VALUE*	
				MARKET	SANTANDER			
CET								
<b>FRIDAY (12 March)</b>								
08:00	DE	Inflacja HICP	Feb	% m/m	0.6	-	0.6	0.6
09:00	CZ	Industrial output	Jan	% y/y	0.6	-	0.9	2.5
11:00	EZ	Industrial output	Jan	% m/m	0.2	-	0.8	-0.1
16:00	US	Flash Michigan	Mar	pts	78.5	-	83.0	76.8
<b>MONDAY (15 March)</b>								
09:00	CZ	Retail sales	Jan	% y/y	-5.8	-	-9.0	3.7
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Feb</b>	<b>% y/y</b>	<b>2.5</b>	<b>2.6</b>	<b>2.4</b>	<b>2.6</b>
<b>TUESDAY (16 March)</b>								
11:00	DE	ZEW index	Mar	pts	73.1	-		71.2
13:30	US	Retail sales	Feb	% m/m	-0.4	-		5.3
<b>14:00</b>	<b>PL</b>	<b>Current account</b>	<b>Jan</b>	<b>€m</b>	<b>2416</b>	<b>3144</b>		<b>430</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Jan</b>	<b>€m</b>	<b>3.7</b>	<b>1.9</b>		<b>14.8</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Jan</b>	<b>€m</b>	<b>1.2</b>	<b>-0.6</b>		<b>13.6</b>
<b>14:00</b>	<b>PL</b>	<b>Core inflation</b>	<b>Feb</b>	<b>% y/y</b>	<b>3.6</b>	<b>3.6*</b>		<b>3.9*</b>
14:15	US	Industrial output	Feb	% m/m	0.5	-		0.9
<b>WEDNESDAY (17 March)</b>								
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>Feb</b>	<b>% y/y</b>	<b>-1.9</b>	<b>-1.8</b>		<b>-2.0</b>
<b>10:00</b>	<b>PL</b>	<b>Wages in corporate sector</b>	<b>Feb</b>	<b>% y/y</b>	<b>4.7</b>	<b>5.3</b>		<b>4.8</b>
11:00	EZ	HICP	Feb	% y/y	0.9	-		0.9
13:30	US	House starts	Feb	k	1 540	-		1 580
19:00	US	Fed decision		%	0.0-0.25	-		0.0-0.25
<b>THURSDAY (18 March)</b>								
<b>10:00</b>	<b>PL</b>	<b>Industrial output</b>	<b>Feb</b>	<b>% y/y</b>	<b>4.5</b>	<b>4.7</b>		<b>0.9</b>
<b>10:00</b>	<b>PL</b>	<b>PPI</b>	<b>Feb</b>	<b>% y/y</b>	<b>1.4</b>	<b>1.2</b>		<b>0.7</b>
13:30	US	Philly Fed index	Mar	pts	-	-		23.1
13:30	US	Initial jobless claims	week	k	-	-		712
<b>FRIDAY (19 March)</b>								
	<b>PL</b>	<b>Rating review by Fitch</b>						
<b>10:00</b>	<b>PL</b>	<b>Retail sales</b>	<b>Feb</b>	<b>% y/y</b>	<b>-9.5</b>	<b>-9.3</b>		<b>-10.0</b>
<b>10:00</b>	<b>PL</b>	<b>Construction output</b>	<b>Feb</b>	<b>% y/y</b>	<b>-2.7</b>	<b>-4.3</b>		<b>-6.0</b>

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

\*\* estimate after CPI data

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