

17 March 2021

Eyeopener

Market awaits FOMC

Stock indexes slightly up
Dolar gets stronger
Polish IRS and bond stable
Today Polish labour market data, FOMC decision in the evening

On Tuesday the European stock markets gained 0.5-1.0%. The dollar strengthened again and it seems this trend is likely to hold at least until today's FOMC meeting. Bund yield declined by 1bp to -0.34% and UST remained unchanged at 1.60%. The Brent oil prices fell by 1.2% to USD68/bbl, while prices of metals did not change much. ZEW index (expectations) in the euro zone climbed by 4.4pts to 74.0pts and in Germany by 2.6pts to 76.6pts. In France the final inflation reading was slightly higher than the first reading. In the USA the data on retail sales and industrial output released on Tuesday were below expectations.

MPC member Lukasz Hardt said that the Polish monetary policy lacks non-standard tools like, for example, long-term repo operations at the rates below the reference rate. The implementation of them is not easy because the main NBP rate is too low already. According to Hardt the existence of such a tool would allow for a more efficient control of long-term yields. The MPC member thinks that the inflation rate will breach 3.5% and in case there is no another lockdown it may increase even to above 4.0%, in both cases above the March NBP's inflation projection.

Poland's core inflation excluding food and energy prices reached 3.9% y/y in January and 3.7% in February (back at December's level), remaining elevated and suggesting that the underlying price pressure refuses to go away despite the pandemic shock. We think that the main core inflation measure (ex food and energy) should decline gradually later in 2021 in a lagged response to subdued consumer demand (especially that the recent surge in Covid-19 cases suggests that pandemic restrictions may be extended well into Q2), but also due to base effects. From the monetary policy point of view, we do not change the opinion that main interest rates will remain on hold at least until the middle of 2022, when the NBP governor's term of office ends. **Current account balance** amounted to EUR3.3bn in January, close to our call at EUR3.1bn and vs consensus at EUR2.4bn. Details proved to be somewhat disappointing, though, as foreign trade noted negative growth rates. 12M current account amounted to 3.6% of GDP, a new all-time high. We think that this number is likely to climb a bit more in the upcoming months. Find more in our yesterday's [Economic comment](#).

According to Dziennik Gazeta Prawna daily newspaper, **the ruling of the Supreme Court's Civil Chamber regarding the fx loans** may not come on 25 March. A delay could extend the period of uncertainty on the market. Since the start of March, the zloty tended to performed slightly worse than other EM currencies, weakening slightly more than average for the group.

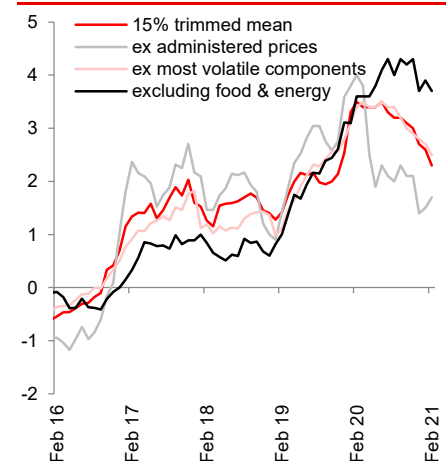
EURUSD opened on Tuesday around 1.193 but in the second part of the day fell to 1.189 (-0.3%). Yesterday the intraday range was somewhat larger than on Monday, which may express the high uncertainty regarding the today's FOMC meeting. In our view the fx rate may decline in the coming days to 1.185.

EURPLN increased again, as a day before, and reached 4.60. Today in the morning the exchange rate tries to breach the level again and we sustain our view that the short term outlook for the zloty is not too optimistic. We expect the currency to trade higher through 4.60 in the near time.

As to the other CEE currencies, EURHUF was stable in the first half of the day but later on the forint started to lose. EURCZK after a few days of stability declined to 26.1 (-0.3%). The koruna gained despite worse than expected reading of January current account data. USDRUB declined by 0.4% to 72.7 and this despite worse than expected February industrial production reading. We still expect the rouble to outperform other CEEMEA currencies.

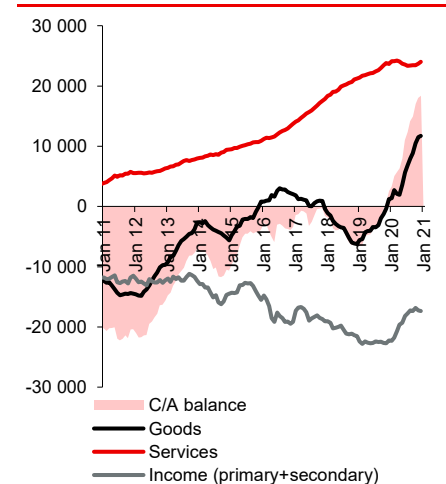
On the Polish fixed income market, IRS did not change much, with 2Y, 5Y and 10Y rates ending the day at 0.47%, 1.16% and 1.70%, respectively. 2Y bond yield was still at 0.06%, 5Y bond stable at 0.87%, 10Y at 1.15%. Spread to Bund increased by 1bp to 185bp.

Core inflation measures, % y.y



Source: NBP Santander

Current account, EURm, 12m sum



Source: NBP, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
Piotr Bielski +48 22 534 18 87
Marcin Luzziński +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	4.5985	CZKPLN	0.1756
USDPLN	3.8671	HUFPLN*	1.2504
EURUSD	1.1894	RUBPLN	0.0529
CHFPLN	4.1711	NOKPLN	0.4556
GBPPLN	5.3812	DKKPLN	0.6184
USDCNY	6.5008	SEKPLN	0.4541

*for 100HUF

Last session in the FX market 3/16/2021

	min	max	open	close	fixing
EURPLN	4.585	4.598	4.585	4.596	4.595
USDPLN	3.842	3.867	3.843	3.864	3.852
EURUSD	1.188	1.195	1.193	1.189	-

Interest rate market 3/16/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.09	3
DS0725 (5Y)	0.88	0
DS1030 (10Y)	1.52	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.23	0	0.20	0	-0.54	0
2L	0.46	0	0.25	0	-0.50	0
3L	0.70	1	0.44	0	-0.46	0
4L	0.95	1	0.68	1	-0.41	0
5L	1.16	-1	0.90	1	-0.34	0
8L	1.53	-2	1.41	1	-0.13	0
10L	1.70	-1	1.61	1	0.01	0

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	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	0.21	0
3x6	0.21	0
6x9	0.23	-1
9x12	0.29	0
3x9	0.25	0
6x12	0.28	-5

Measures of fiscal risk

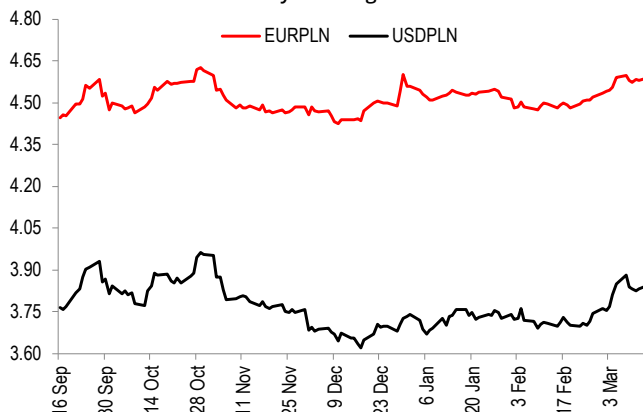
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	186	1
France	7	0	25	0
Hungary	59	0	313	3
Spain	31	0	66	2
Italy	43	0	96	2
Portugal	21	0	54	2
Ireland	10	0	35	1
Germany	7	0	-	-

* 10Y treasury bonds over 10Y Bunds

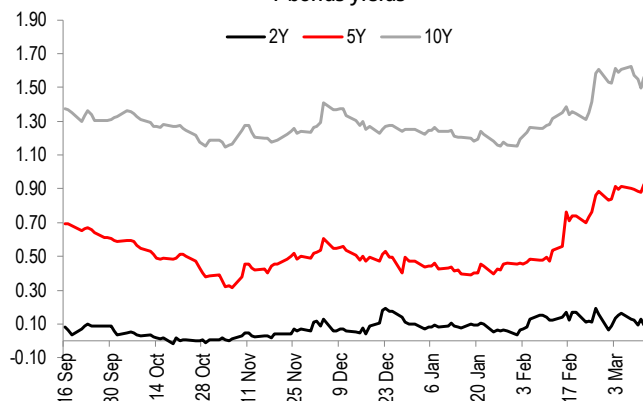
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

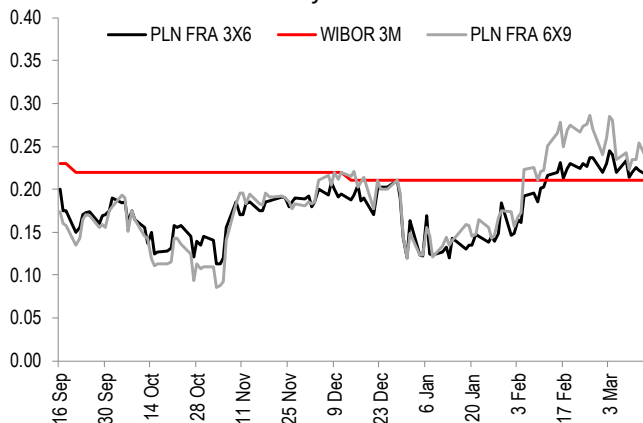
Zloty exchange rate



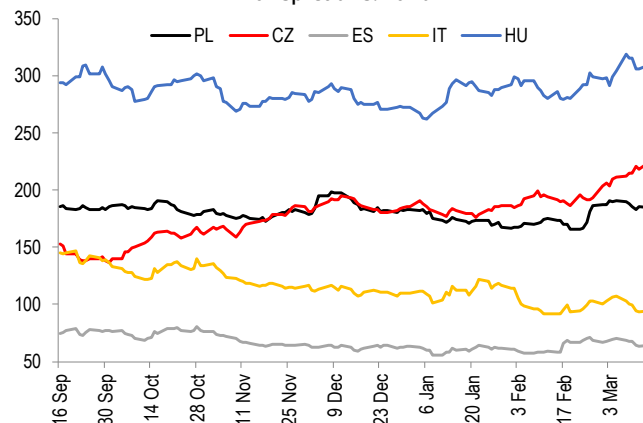
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (12 March)								
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
MONDAY (15 March)								
09:00	CZ	Retail sales	Jan	% y/y	-5.8	-	-9.0	3.7
10:00	PL	CPI	Feb	% y/y	2.5	2.6	2.4	2.6
TUESDAY (16 March)								
11:00	DE	ZEW index	Mar	pts	74.0	-	76.6	71.2
13:30	US	Retail sales	Feb	% m/m	-0.5	-	-3.0	5.3
14:00	PL	Current account	Jan	€m	3052	3144	3258	430
14:00	PL	Exports	Jan	€m	20.3		19.1	19.8
14:00	PL	Imports	Jan	€m	19.5		18.3	19.5
14:00	PL	Core inflation	Feb	% y/y	3.6	3.3	3.7	3.8
14:15	US	Industrial output	Feb	% m/m	0.5	-	-2.2	0.9
WEDNESDAY (17 March)								
10:00	PL	Employment in corporate sector	Feb	% y/y	-1.9	-1.8		-2.0
10:00	PL	Wages in corporate sector	Feb	% y/y	4.7	5.3		4.8
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
THURSDAY (18 March)								
10:00	PL	Industrial output	Feb	% y/y	4.5	4.7		0.9
10:00	PL	PPI	Feb	% y/y	1.4	1.2		0.7
13:30	US	Philly Fed index	Mar	pts	-	-		23.1
13:30	US	Initial jobless claims	week	k	-	-		712
FRIDAY (19 March)								
	PL	Rating review by Fitch						
10:00	PL	Retail sales	Feb	% y/y	-9.5	-9.3		-10.0
10:00	PL	Construction output	Feb	% y/y	-2.7	-4.3		-6.0

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

** estimate after CPI data

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.