

Eyeopener

Fed revises forecasts up

Dovish FOMC despite more optimistic forecasts
 EURUSD jumps after the FOMC meeting
 Polish bonds gain after the NBP repurchase auction
 Today Polish industrial output and US data

On Wednesday, ahead of the FOMC meeting, the European stock markets lost slightly, while the dollar was stable versus G10 currencies and gained versus EM currencies. Core yields increased markedly: Bund by 5bp to -0.30%, UST by 8bp to 1.68%. Euro zone data was better than expected, and US housing market figures landed below forecasts due to severe weather conditions.

As expected, **Fed did not change interest rates** (the main rate still is expressed as the 0.0-0.25% range). Fed will keep buying bonds worth USD120bn per month. New forecast show quicker GDP growth in 2021 (6.5% vs 4.2% estimate from December), lower unemployment rate (4.5% vs 5%) and higher inflation (2.4% vs 1.8%). The forecasts for the following years were little changed and point to a gradual slowdown of economic growth and a return of inflation to 2% amid falling unemployment rate. The chart expressing FOMC members' preferences about interest rate levels showed that four of them expect a rate hike in 2022 (in December nobody said so), while seven see a tightening coming in 2023 (vs five in December). Fed chairman's remarks several weeks ago have not stopped the upside trend in US bond yields and it seems that the outcome of the FOMC meeting has also failed to achieve this. Yesterday evening UST yields declined a bit, but this morning are again back to the local maximum. Only the fx market reaction (weaker dollar) seems to be more long-lasting. In general, the Fed meeting showed that there is no need hike rates in near future as the rise of inflation is considered temporary.

Poland employment growth rate improved in February to -1.7% y/y from -2.0% y/y in January. In monthly terms employment rose by 20k and this was the strongest February reading since 2008. We think that this rise was triggered by the reopening of shopping malls and hotels. Wages rose by 4.5% y/y in February, after some slowdown versus January (4.8% y/y). This is rather surprising for us, given better working day effect and rebound in employment. The rise of third Coronavirus wave and gradual reinstatement of restrictions are likely to weigh on the labour market situation in the nearest months. At the same time, **Polish consumer confidence** improved in March, both the current assessment and the expectations measure are now the highest in four months. Before October 2020 it was very rare for the expectations index to exceed the current assessment index, but it seems to be a standard since then – signalling high hopes of consumers despite still relatively poor assessment of the current situation. The current rise of Covid-19 stats may send consumer confidence lower in the coming months. So far, the additional questions in the consumer survey on the impact of the pandemic have not revealed any growing fears vs previous months.

The sitting of **Civil Chamber of the Supreme Court** on FX loans, planned for 25 March, was rescheduled for 13 April.

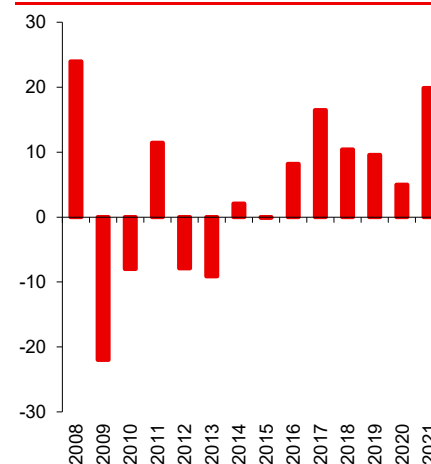
EURUSD hovered for the whole Wednesday near 1.19 and only in the evening after the FOMC meeting the dollar started to weaken quickly. The pair has risen towards 1.20 in one hour - offsetting the earlier three consecutive days of slow declines.

EURPLN increased to nearly 4.62 during the Polish session, however the dollar weakness which occurred in the evening post the FOMC meeting pushed the currency pair by 3 figures lower to 4.59, while USDPLN by 5 figures lower to 3.83.

As to the other CEE currencies, EURHUF remained in the vicinity of 367.5, while in the evening fell to a little below 367.0. EURCZK hovered near 26.1 only to move lower post the FOMC meeting to 26.06. USDRUB increased as much as 1.6% to 73.9 and this despite the weaker dollar. The reason for the rouble underperformance was president Joe Biden who announced that the US would impose sanctions on Russia because of meddling with US elections.

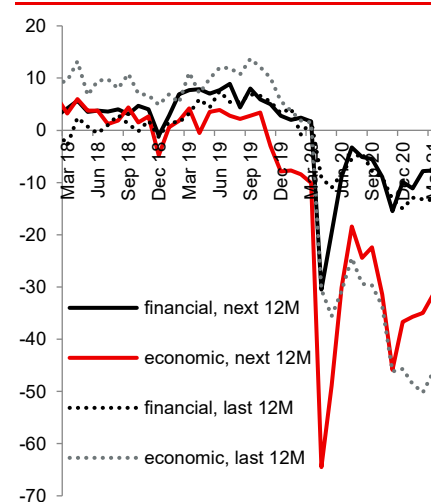
On the Polish fixed income market, the IRS curve moved up by 1bp and bond yields fell (5Y by 3bp to 0.84, 10Y to 1.49%) after NBP bought PLN3.75bn worth of government bonds at its QE auction. This is triple the size of the average central bank purchases for the last nine months and a clear signal for the markets that the NBP is worried about the rapid growth of yields and that it can use its tools, including QE, to weaken the rise.

Change of employment in February, % m/m



Source: NBP Santander

Consumer confidence



Source: GUS Santander

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FX market

Today's opening			
EURPLN	4.5958	CZKPLN	0.1762
USDPLN	3.8365	HUFPLN*	1.2419
EURUSD	1.1977	RUBPLN	0.0522
CHFPLN	4.1578	NOKPLN	0.4565
GBPPLN	5.3670	DKKPLN	0.6184
USDCNY	6.4960	SEKPLN	0.4545

*for 100HUF

Last session in the FX market						3/17/2021
	min	max	open	close	fixing	
EURPLN	4.593	4.617	4.594	4.607	4.607	
USDPLN	3.857	3.884	3.861	3.871	3.868	
EURUSD	1.188	1.192	1.190	1.190	-	

Interest rate market 3/17/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.08	-2
DS0725 (5Y)	0.87	-1
DS1030 (10Y)	1.51	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	1	0.19	-1	-0.54	0
2L	0.47	0	0.24	-1	-0.50	0
3L	0.71	1	0.41	-3	-0.46	0
4L	0.96	1	0.66	-2	-0.39	2
5L	1.18	2	0.90	-1	-0.33	1
8L	1.56	4	1.43	2	-0.10	3
10L	1.74	3	1.64	3	0.04	3

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.11	1
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	0.23	2
6x9	0.25	2
9x12	0.31	2
3x9	0.29	4
6x12	0.33	5

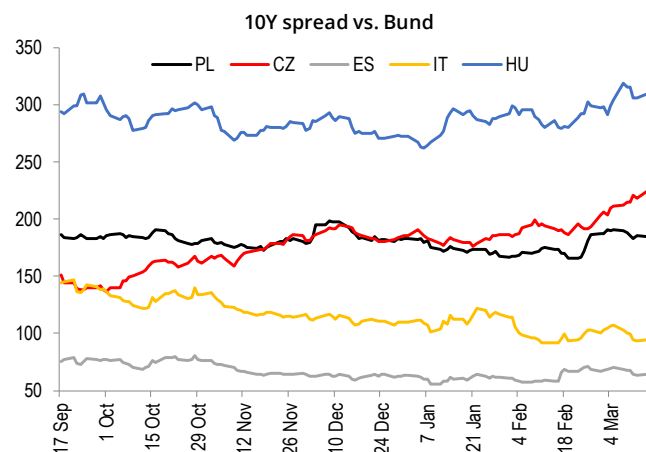
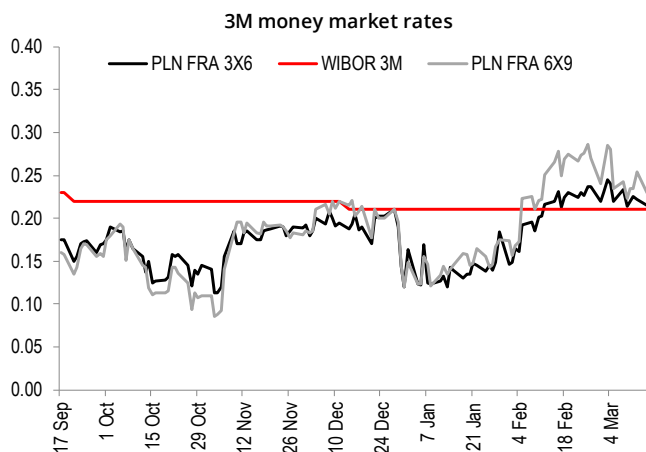
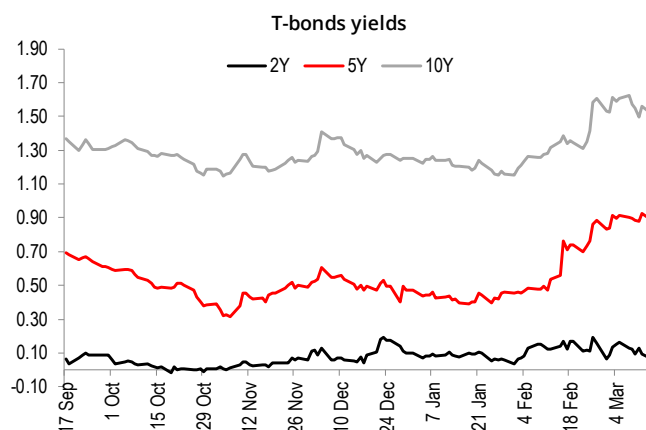
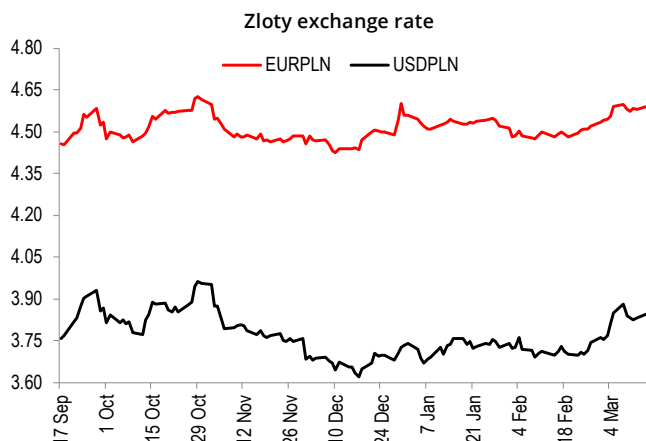
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	180	-5
France	6	-1	26	1
Hungary	59	0	310	-2
Spain	32	1	67	2
Italy	45	1	99	3
Portugal	22	1	55	2
Ireland	10	0	35	0
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								
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	-1.7	-2.0
10:00	PL	Wages in corporate sector	Feb	% y/y	4.9	5.3	4.5	4.8
11:00	EZ	HICP	Feb	% y/y	0.9	-	0.9	0.9
13:30	US	House starts	Feb	k	1 560	-	1421	1 584
19:00	US	Fed decision		%	0.0-0.25	-	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

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