

# Eyeopener

## Stable assessment of Poland by Fitch

Mild declines on stock markets  
 EURUSD down, close to 200 DMA  
 Bond yields quite stable  
 Today in Poland money supply, house sales in the USA

On Friday main equity indices were declining. Among the reasons one could list the Fed's statement that it will end supporting large banks by the end of the month. The Bank of Japan did not change interest rates on Friday but reduced the target ETF purchases and widened the band of allowed yields fluctuations – a signal of its growing tolerance of higher volatility of asset prices. Russia's central bank surprised the market raising interest rates by 25bp to 4.50% in response to accelerating inflation and weakening ruble as a result of looming US sanctions. Bond yields in the core markets were quite stable on Friday, UST rose slightly, +1bp to 1.72%, and Bund did not change at -0.29%. Gold and crude oil gained slightly, respectively 0.2% and 0.5% to US\$1738/oz and US\$63.8/bbl. The dollar continued strengthening and on Friday was at the highest level since March 9.

**Retail sales** fell in February by 3.1%, showing some improvement versus -6.0% y/y recorded in January and vs our forecast at -4.3% and market consensus at -2.7%. Retail sales are likely to deteriorate again in March, as shopping malls and hotels will again be closed in the entire country on 20 March. Thus, private consumption is likely to remain negative in annual terms in 1Q21. **Construction output** collapsed in February by 16.9% y/y, down from -10% y/y in January while we and the market looked for a minor improvement. We believe that much of the negative surprise was weather-related, nevertheless it does weigh on the 1Q GDP, especially on investments. See more in our [Economic comment](#).

**Fitch Ratings kept Poland's rating unchanged at A- with the stable outlook.**

According to the agency such score is the result of relatively strong economic growth and monetary policy framework on the one hand, and on the second hand the lower GDP per capita and higher net foreign debt than in other countries with such rating. As regards FX mortgage loans the agency assumed that the baseline scenario is no mass loan conversion, only a continued spread over time of the costs for banks, moderately affecting their capital positions. Fitch raised its GDP forecast for Poland from 3.3% to 4.1% in 2021, at the same time trimming 2022 from 5.1% to 4.7%. According to the report, GG fiscal deficit is likely to decline to 5.7% of GDP this year (previous forecast 4.9%) and next year it will reach 3.7% of GDP.

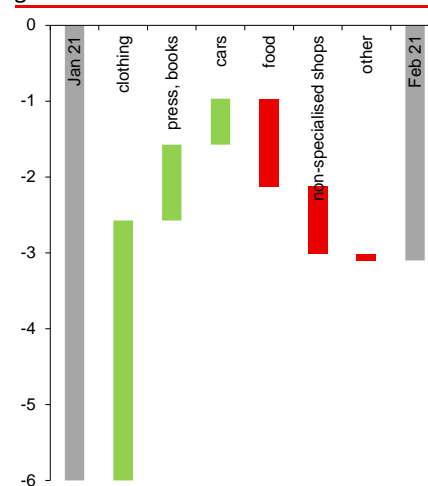
**EURUSD** declined to 1.189 from 1.192, by 0.3%, and came close to the 200-day moving average (currently residing at 1.1855). Breaching the level will open the way for EURUSD declines toward 1.160.

**EURPLN** on Friday corrected lower (by 0.2% to 4.616) after Thursday rises. Month-to-date EURPLN grew by 2.1%. Despite the fact that there is quite a lot of arguments towards weaker zloty (latest one: increased NBP QE purchase), and the currency pair resides already above 4.60, it seems that in the very short term the 4.60 might be tested from above before we see further EURPLN increases.

As regards **other CEE currencies**: EURHUF declined by 0.3% to 367.7, EURCZK slid a bit to 26.1, USD was stable on a daily chart, yet temporarily it went down by 0.8% to 73.77 in response to the unexpected CBR rate hike. At the end of the day the rate rebounded to 74.25.

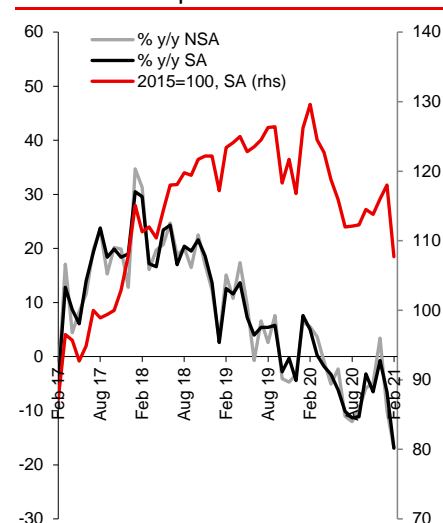
On the Polish **interest rate market**, the IRS rate was stable in 5Y segment at 1.19% but fell on the long end (10Y at 1.76%). The bond yield curve was also stable in the 5Y segment (0.85%), while 10Y climbed to 1.51% by 1bp. Spread to Bund amounted to 181bp. On Friday tender the **NBP sold 7-day bills** worth PLN189.1bn, being the highest result in 2021 and the second highest ever.

### Breakdown of change in annual retail sales growth rate



Source: GUS, Santander

### Construction output



Source: GUS, Santander

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**FX market**

**Today's opening**

EURPLN	4.6193	CZKPLN	0.1771
USDPLN	3.8879	HUFPLN*	1.2426
EURUSD	1.1883	RUBPLN	0.0522
CHFPLN	4.1779	NOKPLN	0.4534
GBPPLN	5.3845	DKKPLN	0.6213
USDCNY	6.5078	SEKPLN	0.4539

\*for 100HUF

**Last session in the FX market 19/03/2021**

	min	max	open	close	fixing
EURPLN	4.612	4.625	4.618	4.615	4.623
USDPLN	3.865	3.892	3.876	3.875	3.887
EURUSD	1.187	1.194	1.192	1.191	-

**Interest rate market 19/03/2021**

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.10	1
DS0725 (5Y)	0.87	-3
DS1030 (10Y)	1.51	-2

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.24	0	0.21	1	-0.54	0
2L	0.47	-1	0.26	-1	-0.50	-1
3L	0.72	-2	0.45	1	-0.46	-1
4L	0.98	-2	0.71	2	-0.40	-1
5L	1.19	-3	0.97	3	-0.33	-1
8L	1.58	-3	1.50	1	-0.09	0
10L	1.77	-2	1.71	2	0.06	0

**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	0.22	0
3x6	0.23	1
6x9	0.22	-2
9x12	0.31	1
3x9	0.24	-5
6x12	0.28	-5

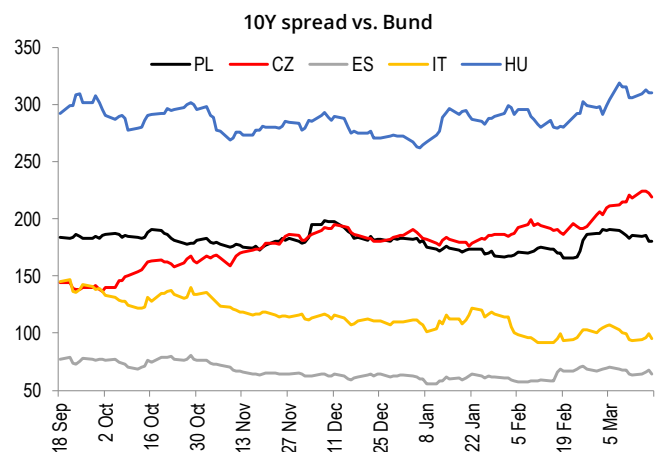
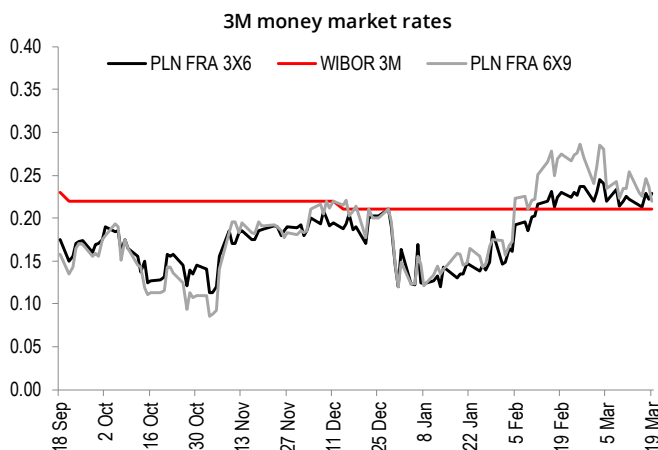
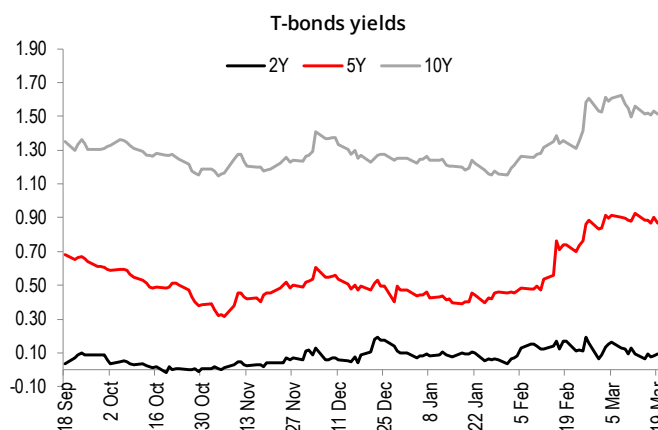
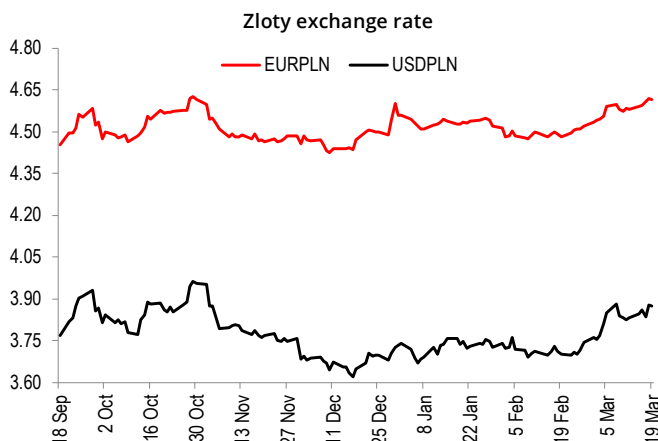
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	180	0
France	6	0	25	-1
Hungary	59	0	311	0
Spain	32	1	65	-3
Italy	43	0	95	-4
Portugal	20	0	53	-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 CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
<b>FRIDAY (19 March)</b>								
10:00	PL	Construction Output	Feb	% y/y	-9.5	-11.6	-16.9	-10.0
10:00	PL	Retail Sales Real	Feb	% y/y	-2.5	-4.5	-2.7	-6.0
<b>MONDAY (22 March)</b>								
14:00	PL	Money Supply M3	Feb	% y/y	16.3	16.4	-	16.8
15:00	US	Existing Home Sales	Feb	% m/m	-2.8		-	0.6
<b>TUESDAY (23 March)</b>								
10:00	PL	Unemployment Rate	Feb	%	6.5	6.6	-	6.5
14:00	HU	Central Bank Rate Decision	Mar.21	%	0.6		-	0.6
15:00	US	New Home Sales	Feb	% m/m	-4.1		-	4.3
<b>WEDNESDAY (24 March)</b>								
09:30	DE	Germany Manufacturing PMI	Mar	pts	60,7		-	60.7
09:30	DE	Markit Germany Services PMI	Mar	pts	46,4		-	45.7
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	57,6		-	57.9
10:00	EZ	Eurozone Services PMI	Mar	pts	45,7		-	45.7
13:30	US	Durable Goods Orders	Feb	% m/m	1,0		-	3.4
14:30	CZ	Central Bank Rate Decision	Mar.21		0.25		-	0.25
<b>THURSDAY (25 March)</b>								
13:30	US	GDP Annualized	4Q	% Q/Q	4.1		-	4.1
13:30	US	Initial Jobless Claims		k			-	770
<b>FRIDAY (26 March)</b>								
10:00	DE	IFO Business Climate	Mar	pts	93.1		-	92.4
13:30	US	Personal Spending	Feb	% m/m	-0.2		-	2.4
13:30	US	Personal Income	Feb	% m/m	-7.0		-	10.0
13:30	US	PCE Deflator SA	Feb	% m/m	0.3		-	0.3
15:00	US	Michigan index	Mar	pts	83.5		-	83.0

Source: Santander Bank Polska, Bloomberg, Parkiet

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

\*\* estimate after CPI data

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