

24 March 2021

Eyeopener

Market turn

Stock markets down after poor US data
 Core market yields lower, dollar strengthens
 Domestic IRS unchanged, the zloty and bonds weaker
 Today Eurozone and German flash PMIs, interest rate decision in Czechia

On Tuesday the equity market lost after worse-than-expected US housing market data. On Monday, February data on home sales surprised to the downside, on Tuesday new home sales plunged by 18.2%, deeper than most of forecasts. The reading was dragged lower by high prices, low supply and severe weather conditions. A decline was recorded in all US regions. These numbers supported the dollar, which gained 0.4% (the dollar index reached 92.2), UST yield fell by 3bp to 1.65% (and continued the move overnight). Bund yield also fell by 3bp to -0.34%. Commodity prices went down, with Brent oil down by 4.3% to USD61.9/bbl. Most EM currencies also lost, especially the CEE ones. Testimonies of the Fed head and US Treasury Secretary before the Congress showed that policymakers acknowledge high asset prices in some areas of markets and assume that it is key to maintain the financial sector in good condition. Tensions could be reduced by the economy's return to the growth path thanks to vaccinations. Moreover, Powell said that the impact of US fiscal packages (both the agreed one and the prepared infrastructure one) could be temporary and not particularly big. Fed is not yet mulling a tapering – it will inform about such a plan when the economy is close to Fed's targets.

The **financial results of firms employing more than 50 people** imply that in 4Q20 the firms' revenues rose 8.1% y/y and costs were up 7.6% y/y (in 3Q it was respectively -2.1% y/y and -2.7% y/y), which resulted in improvement of gross financial result by 21.8% y/y in 4Q (albeit the full year result was 3.2% lower than in 2019). Reviving economic activity pushed costs of materials up by 7.8% y/y after four quarters of declines. The total wage bill also soared, by 10.7% y/y from -1.3% and the contribution of taxes to total costs was the highest in four years. Average corporate margin in 4Q20 was 0.5pp higher than one year ago and the four-quarter moving average improved from 4.4% to 4.5%. We maintain the view that the situation of Polish big firms is good enough that it should allow for a solid investment rebound after the pandemic starts withdrawing and the risk of next restrictions diminishes.

The **investment outlays of firms employing 50+** people fell in 4Q20 by 7.5% y/y in real terms after -9% y/y in 3Q (spending on construction -16.6% vs -11.4% y/y in 3Q, spending on purchases -0.3% after -7.7% in 3Q – the rebound in the latter was mainly in machinery and equipment). Although the good situation of firms makes us optimistic about investment outlook, we have noted that the estimated value of new investment projects in 4Q20 was lower by 27% y/y.

Detailed data about employment in February showed that the strong rise in this month (+20k jobs m/m) resulted mainly from positive trends in manufacturing (+7k) and retail trade (+11k). The employment in the trade sector was probably supported by the opening of shopping malls, although the opening of hotels had a limited impact on jobs in accommodation and restaurants (+1k). Higher average employment was the result of hiring new people, not increasing the working hours – the number of employed increased 14k, in which 7k in manufacturing and 7k in retail trade.

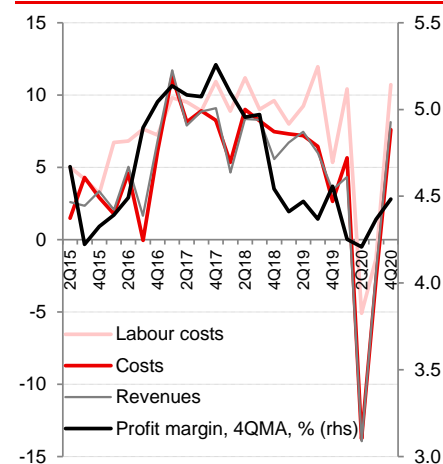
EURUSD after opening near 1.194 yesterday, was falling during the day and closed at 1.187, lower by 0.6%. Today in the morning EURUSD is testing an important 1.185 level - which constitutes both the 9 March month-to-date minimum as well as the 200-day moving average. Breaking below this level will open the possibility of further declines to 1.16. We reckon this is the most likely scenario in the short-term.

EURPLN on Tuesday was increasing significantly and wiped out most of Monday's falls (which reached temporarily 4.59). EURPLN closed on Tuesday at 4.62 and hence the 2-day change is roughly zero. Worsening global moods (cheaper stocks, stronger USD) do not bode well for the PLN in the short-term. We expect EURPLN to rise towards 4.70.

As for the **CEE currencies**, EURCZK increased by as much as 0.5% to 26.2 which might be a function of a global risk-off and local record number of Covid-19 cases. EURHUF moved back to 366.0 where it started the day (in the meantime trading higher). The NBH has not changed interest rates. The fresh CPI forecasts have been moved higher for the 2021 from 3.5-3.6% in December to 3.8-3.9% currently. The other CPI and GDP forecasts were barely changed. The central bank indicated that the CPI in Hungary may temporarily breach 5% in 2Q21 (vs the NBH inflation target of 3% and +/-1pp tolerance band). NBH said it is going to use "appropriate instruments" to calm the currency. Markets expect a rise in the 1-week deposit rate from current 0.75% to around 1.00% which in the short term might slow the forint weakening, however does not change its medium-term outlook.

On the Polish **interest rate market**, the IRS curve has not changed by much e.g. 10Y at 1.68%, 5Y at 1.11%. The bonds were cheapening however, 5Y yield increased by 4bp to 0.84%, 10Y yield by 2bp to 1.50% the possible reasons being some investors positioning themselves before the Thursday MinFin outright bond sale auction. The issuance on the auction is estimated to be between PLN 4-6bn (OK0423, PS1026, DS1030, WZ1131, WZ1126). With lower Bund yields, the move resulted in wider spread - to 183bp.

Results of companies employing 50+, %/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.6227	CZKPLN	0.1760
USDPLN	3.9053	HUFPLN*	1.2492
EURUSD	1.1836	RUBPLN	0.0512
CHFPLN	4.1748	NOKPLN	0.4509
GBPPLN	5.3515	DKKPLN	0.6216
USDCNY	6.5237	SEKPLN	0.4534

*for 100HUF

Last session in the FX market						23.03.2021
	min	max	open	close	fixing	
EURPLN	4.576	4.620	4.592	4.613	4.607	
USDPLN	3.843	3.893	3.853	3.889	3.875	
EURUSD	1.186	1.193	1.192	1.186	-	

Interest rate market 23.03.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.08	0
DS0725 (5Y)	0.82	-2
DS1030 (10Y)	1.50	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.23	-1	0.21	1	-0.54	0
2L	0.42	-3	0.26	0	-0.51	-1
3L	0.65	-3	0.43	-2	-0.47	0
4L	0.90	-2	0.69	-3	-0.42	-1
5L	1.11	-1	0.92	-3	-0.35	-2
8L	1.51	0	1.43	-6	-0.13	-3
10L	1.69	0	1.62	-7	0.01	-4

WIBOR rates

Term	%	Change (bps)
O/N	0.10	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	-1
3x6	0.22	1
6x9	0.21	0
9x12	0.27	-3
3x9	0.26	2
6x12	0.29	-2

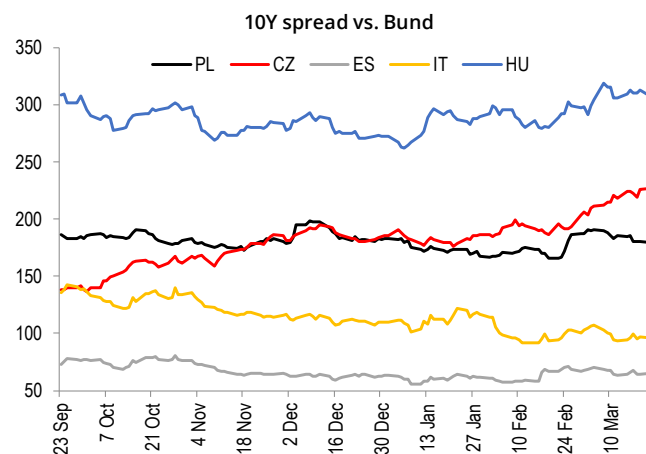
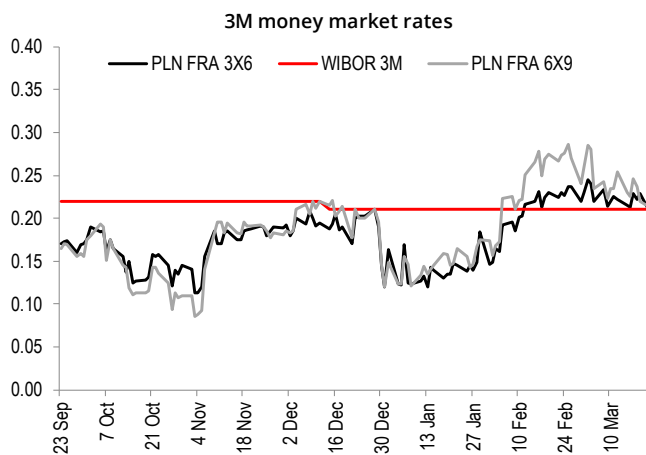
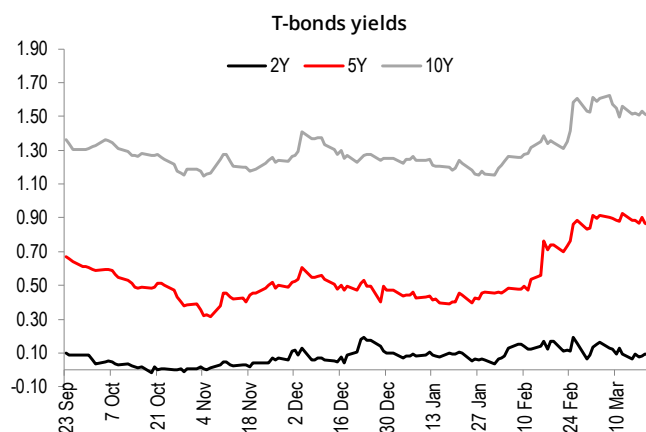
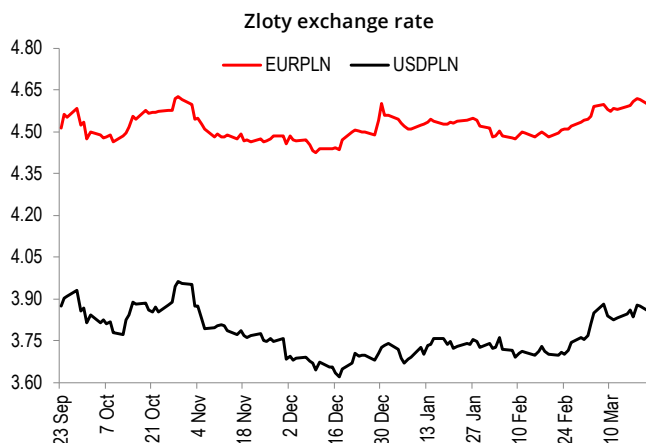
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	185	5
France	8	2	25	0
Hungary	64	0	306	-2
Spain	33	-2	64	-2
Italy	48	0	95	-2
Portugal	23	1	52	-2
Ireland	10	-1	35	0
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 CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (19 March)								
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
MONDAY (22 March)								
14:00	PL	Money Supply M3	Feb	% y/y	16.3	16.4	16.3	16.8
15:00	US	Existing Home Sales	Feb	% m/m	-3.0		-6.6	0.6
TUESDAY (23 March)								
10:00	PL	Unemployment Rate	Feb	%	6.5	6.6	6.5	6.5
14:00	HU	Central Bank Rate Decision	Mar.21	%	0.6		0.6	0.6
15:00	US	New Home Sales	Feb	% m/m	-5.7		-18.2	4.3
WEDNESDAY (24 March)								
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
THURSDAY (25 March)								
13:30	US	GDP Annualized	4Q	% Q/Q	4.1		-	4.1
13:30	US	Initial Jobless Claims		k			-	770
FRIDAY (26 March)								
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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