

30 March 2021

Eyeopener

The zloty weakening further

Markets stable

Core market yields higher, followed by Polish yields and IRS

Dollar stronger, EURPLN higher

Today inflation in Germany, ESI in the euro zone

On Monday the European equity indices were gaining slightly, while the US markets ended the day slightly below zero. The refloating of the container ship in the Suez Canal did not trigger major asset price movements, in particular the Brent oil price remained close to \$64 p/b, almost unchanged. ECB maintained the pace of bond purchases at the elevated level, as expected (last week EUR19bn), which was supposed to calm the upward trend in bond yields. Nevertheless, yields kept climbing higher on Monday: Bund +3bp to -0.32%, UST +5bp to 1.71%. After the biggest rise of Dallas Fed index since 2018 the dollar gained slightly, which weakened EM currencies.

MPC member Eryk Łon said that in his opinion the pace at which the Polish economy is recovering from "temporary economic difficulties" is "slightly less dynamic" than it was expected at the start of 2021. If it turns out that the number of Covid-19 cases rise significantly and, on top of that, the manufacturing PMI index (published on this Thursday) falls to below 50.0, then Łon will think about cutting interest rates. The likelihood of such a scenario is however low, in his opinion.

According to Euler-Hermes data, in January and February **the number of corporate insolvencies** increased by 75% y/y. The problems occurred most frequently at smaller services companies in the sectors: hotels, restaurants, protection of greenery, security, job placement and preschool care. What is interesting, a significant increase in problems occurred in the basic food production sectors as well as production for construction sector. One should expect that the next wave of economic restrictions will make problems for the small companies more severe. We underscore, however, that at the macro level the non-financial corporates in general are doing pretty well.

EURUSD was stable in the first half of Monday's session, but later in the day it fell by 0.3% to 1.176 after better than expected US data (Dallas Fed). Therefore, the rate returned to its local low recorded on Thursday and Friday and we think there are big chances for continuation of the downward move towards 1.160.

EURPLN's Monday rise from 4.64 at the open reached at some point 4.68 (+0.9%), but the exchange rate closed at 4.67. Unrest on the fx options market makes it more likely that the rise of EURPLN is not over. We think that the first attempt of the pair to stabilise may come around 4.70.

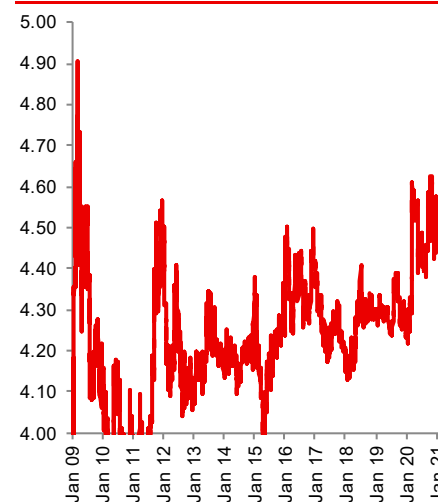
As for other CEE currencies, EURHUF did not extend yesterday the downside trend that had started last week from the March top of 369, and stayed at 363. The final reading of January trade balance in Hungary was €855mn vs the previously reported €830mn. EURCZK rose negligibly, by 0.1%, and finished the day at 26.1. USDRUB was stable (75.82).

On the domestic interest rate market, the IRS curve went higher: its short end by 2bp, the belly by 6bp (5Y at 1.13%) and the long end by 9bp (10Y closed at 1.73%). Bonds were also weakening, e.g. 5Y by 3bp to 0.86% and 10Y by 2bp to 1.50%.

BGK at the Wednesday, 31 March auction will be selling three bond series (FPC0328, FPC0733, FPC1140) with total supply around PLN1bn.

The Ministry of Finance announced that in April, apart from wholesale bonds, it will offer retail bonds worth PLN3bn.

EURPLN



Source: Bloomberg, Santander

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FX market

| Today's opening | | | |
|-----------------|--------|---------|--------|
| EURPLN | 4.6628 | CZKPLN | 0.1785 |
| USDPLN | 3.9671 | HUFPLN* | 1.2857 |
| EURUSD | 1.1753 | RUBPLN | 0.0526 |
| CHFPLN | 4.2159 | NOKPLN | 0.4637 |
| GBPPLN | 5.4593 | DKKPLN | 0.6269 |
| USDCNY | 6.5657 | SEKPLN | 0.4554 |

*for 100HUF

| Last session in the FX market | | | | | | 29.03.2021 |
|-------------------------------|-------|-------|-------|-------|--------|------------|
| | min | max | open | close | fixing | |
| EURPLN | 4.628 | 4.671 | 4.635 | 4.665 | 4.656 | |
| USDPLN | 3.928 | 3.972 | 3.935 | 3.961 | 3.957 | |
| EURUSD | 1.176 | 1.179 | 1.178 | 1.178 | - | |

Interest rate market 29.03.2021

| T-bonds on the interbank market** | | |
|-----------------------------------|------|--------------|
| Benchmark (term) | % | Change (bps) |
| WS0922 (2Y) | 0.09 | -2 |
| DS0725 (5Y) | 0.84 | -2 |
| DS1030 (10Y) | 1.50 | 3 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|-------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 0.23 | 2 | 0.21 | 0 | -0.54 | 0 |
| 2L | 0.43 | 5 | 0.27 | 0 | -0.51 | 1 |
| 3L | 0.67 | 6 | 0.46 | 2 | -0.46 | 1 |
| 4L | 0.93 | 7 | 0.74 | 3 | -0.40 | 2 |
| 5L | 1.15 | 8 | 0.98 | 3 | -0.34 | 1 |
| 8L | 1.55 | 9 | 1.51 | 1 | -0.10 | 2 |
| 10L | 1.73 | 10 | 1.72 | 3 | 0.05 | 3 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 0.11 | 0 |
| T/N | 0.10 | 0 |
| SW | 0.10 | 0 |
| 2W | 0.16 | 0 |
| 1M | 0.18 | -1 |
| 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 | 0.21 | 1 |
| 6x9 | 0.22 | 2 |
| 9x12 | 0.26 | 3 |
| 3x9 | 0.26 | 2 |
| 6x12 | 0.29 | 2 |

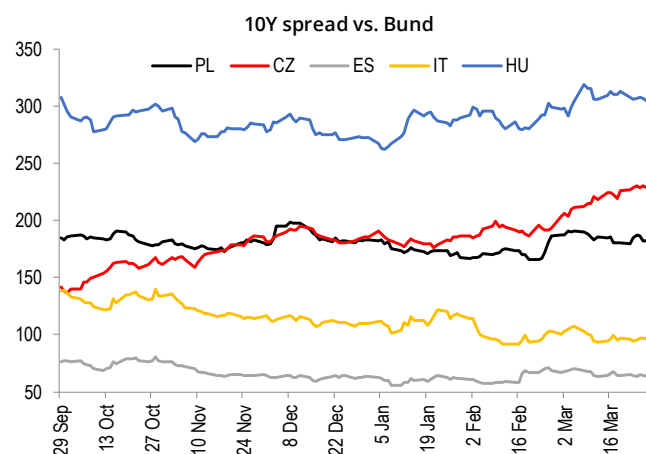
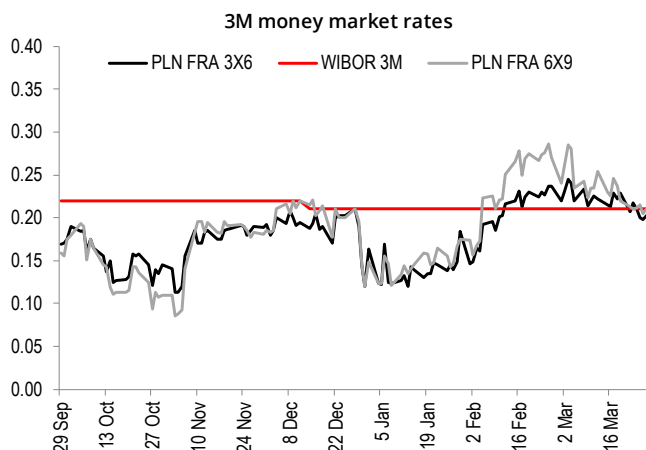
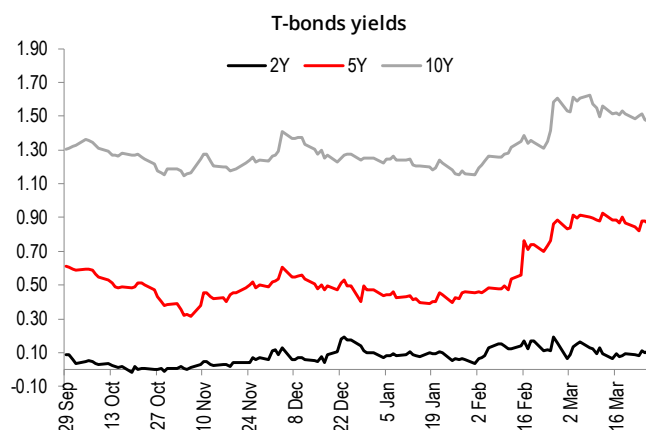
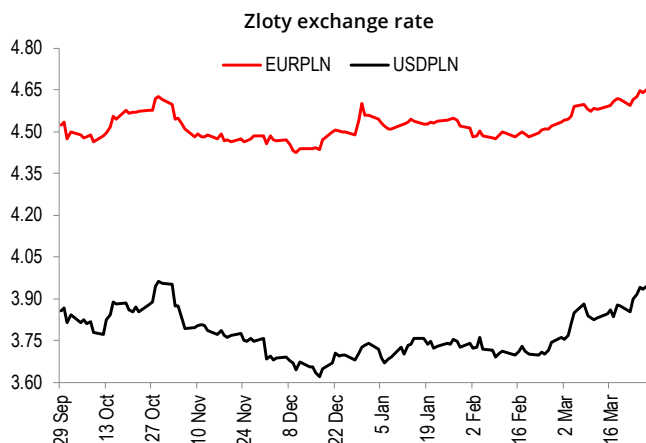
Measures of fiscal risk

| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 37 | -13 | 182 | 0 |
| France | 8 | 0 | 25 | 0 |
| Hungary | 64 | 0 | 301 | -5 |
| Spain | 35 | 0 | 64 | -1 |
| Italy | 46 | 0 | 96 | -1 |
| Portugal | 24 | 0 | 52 | -2 |
| Ireland | 10 | 0 | 36 | 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 (26 March) | | | | | | | | |
| 10:00 | DE | IFO Business Climate | Mar | pts | 93.2 | 96.6 | 92.4 | |
| 13:30 | US | Personal Spending | Feb | % m/m | -0.8 | -1.0 | 2.4 | |
| 13:30 | US | Personal Income | Feb | % m/m | -7.2 | -7.1 | 10.0 | |
| 13:30 | US | PCE Deflator SA | Feb | % m/m | 0.3 | 0.2 | 0.3 | |
| 15:00 | US | Michigan index | Mar | pts | 83.6 | 84.9 | 83.0 | |
| TUESDAY (30 March) | | | | | | | | |
| 11:00 | EZ | ESI | Mar | pct. | 94.75 | - | 93.4 | |
| 14:00 | DE | HICP | Mar | % m/m | 0.5 | - | 0.6 | |
| 16:00 | US | Consumer Conference Board | Mar | pts | 96.0 | - | 91.3 | |
| WEDNESDAY (31 March) | | | | | | | | |
| 10:00 | PL | CPI | Mar | % y/y | 2.8 | 3.0 | - | 2.4 |
| 11:00 | EZ | Flash HICP | Mar | % y/y | 1.35 | - | 0.9 | |
| 14:15 | US | ADP report | Mar | k | 500.0 | - | 117.1 | |
| 16:00 | US | Pending Home Sales | Feb | % m/m | -2.65 | - | -2.8 | |
| THURSDAY (1 April) | | | | | | | | |
| 08:00 | DE | Retail Sales | Feb | % m/m | 1.0 | - | -6.5 | |
| 09:00 | CZ | GDP SA | 4Q | % y/y | 0.0 | - | -4.7 | |
| 09:00 | PL | Poland Manufacturing PMI | Mar | pts | 55.4 | 54.9 | - | 53.4 |
| 09:55 | DE | Germany Manufacturing PMI | Mar | pts | 66.6 | - | 66.6 | |
| 10:00 | EZ | Eurozone Manufacturing PMI | Mar | pts | 62.4 | - | 62.4 | |
| 14:30 | US | Initial Jobless Claims | Mar/21 | k | 730.0 | - | 684.0 | |
| 16:00 | US | ISM manufacturing | Mar | pts | 61.0 | - | 60.8 | |
| FRIDAY (2 April) | | | | | | | | |
| 14:30 | US | Change in Nonfarm Payrolls | Mar | k | 600.0 | - | 379.0 | |
| 14:30 | US | Unemployment Rate | Mar | % | 6.0 | - | 6.2 | |
| | PL | S&P rating review | | | | | | A-, stable |

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

** estimate after CPI data

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