

Eyeopener

Solid data from the US

Stocks higher after strong US macroeconomic data
 Dolar weakens by 0.5%, stronger zloty
 Core market bond yields lower, POLGB stable. IRS still higher
 Today Eurozone unemployment rate

On Thursday before Easter the main stock indices on the global markets were rising due to, among others, the best reading of US manufacturing PMI since 80s. The Friday's data about non-farm payrolls and Monday's non-manufacturing ISM were also much better than expected and as a result the S&P500 index rose by another 1% to 4060. The streak of March manufacturing PMIs released last week was mixed: in some CEE countries the readings decreased m/m, while in Asia, Sweden, Turkey the indices mostly improved. German retail sales in February was much below expectations. Despite very good macro data US bond yields decreased slightly (-1bp to 1.69%), Bund yield remained unchanged (-0.33%). Dollar weakened by 0.5%.

GG deficit amounted to 6.9% of GDP in 2020 versus 0.7% in 2019 and 1.5% average in 2015-2019. Thus, it was markedly lower than we expected (8.4% of GDP) and slightly lower than all-time highs recorded during the GFC: 7.3% of GDP in 2009 and 2010. Covid-related above-the-line spending was approximately equal to 5% of GDP. We are expecting 2021 deficit to be somewhat lower, but to remain markedly higher than in the preceding years. GG debt rose to 57.5% of GDP from 45.6% of GDP in 2019. We think the GG debt is likely to rise somewhat in 2021 as well.

Polish manufacturing PMI rose in March to 54.3, below market consensus (55.4) and our forecast (54.9). Still, it was the biggest improvement in the industrial sector's situation since January 2018. However, there is a caveat: lengthening of delivery times had the biggest impact on the index improvement, which means that once again the PMI improvement may be misleading as the problems with supply chains and deliveries could be in fact limiting the sector's output capacity, not signalling the expansion. On the positive note: production, orders and employment also increased. New orders were rising at the fastest pace since July 2020, mainly from abroad. The survey also confirms building price pressures in manufacturing: record high pace of cost increase and also record increase in prices of finished goods.

PM informed that in 2Q21 the government will launch new financial support for companies worth PLN30bn targeting more activity classification codes. For example, vendors renting space in shopping malls will be granted a 80% discount on rent during shutdown and a 50% discount for three months after reopening of malls. An additional support will also be provided for restaurants and hotels.

The Moody's rating agency has cut GDP growth forecast for Poland to 3.3% from 4.0% in 2021 and to 3.8% in 2022. The agency rates Poland at A2 with stable outlook. Rating is due for review on 30 April.

OPEC+ decided to gradual raise oil supply. Some of the increase would come from the change of the size of voluntary output reduction by Saudi Arabia. In total, supply is to go up by 1mn bpd within three months. Despite the decision the price of Brent oil dropped since Thursday by c.1.3% to US\$62.8.

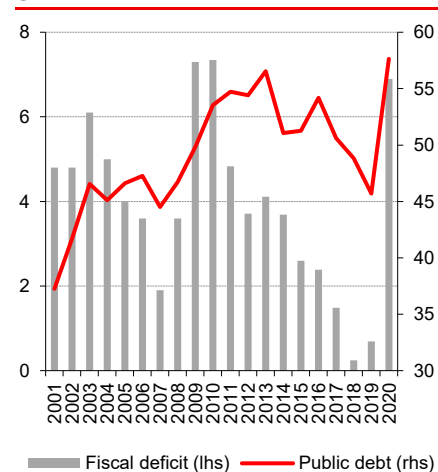
EURUSD was going down after Thursday opening and reached a daily minimum of 1.172, but since then the fx pair has been on the rise and this morning is around 1.181.

EURPLN has entered 2Q with a fall by 1% to 4.59. The change since the local maximum in late March (4.67) is already -1.8%. The reason for the decline is in our view the weaker dollar and the rise of manufacturing PMI (54.3 pts vs 53.4 previously).

Other CEE currencies performed in a mixed way. EURHUF declined in total by 0.5% to 360.2 on Tuesday morning (Hungarian PMI worsened in March to 48.7 pts from 49.4 pts). EURCZK is still sticking close to 26.1 (after a strong PMI print – up to 58.0 pts from 56.5). USDRUB in turn stabilised at 76.3 (Russian PMI registered a minor decline to 51.1 pts from 51.5).

On the interest rate market, on Thursday the 2Y IRS rate climbed by 3bp to 0.56% and the scale of the move since release of CPI inflation amounted to almost 20bp. Similarly, 5Y rate went up by almost 30bp in three days (1.33%) and 10Y to 1.89%. The bond market was more stable with 5Y yield at 0.91% and 10Y yield at 1.60%. The asset swap spread widened to -29bp (temporarily hitting all-time low at -0.36pp). Spread to Bund widened to 193bp (and rose by 7bp since the start of the month).

General government debt and deficit, % GDP



Source: GUS, Santander

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Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (2 April)							
14:30	US	Change in Nonfarm Payrolls	Mar	k	650.0	916.0	379.0
14:30	US	Unemployment Rate	Mar	%	6.0	6.0	6.2
MONDAY (5 April)							
16:00	US	Durable Goods Orders	Feb	% m/m	-1.1	-1.2	-1.1
16:00	US	ISM services	Mar	pts	58.5	63.7	55.3
16:00	US	Factory Orders	Feb	% m/m	-0.5	-0.8	2.6
TUESDAY (6 April)							
03:45	CN	Caixin China PMI Services	Mar	pts	52.1	54.3	51.5
11:00	EZ	Unemployment Rate	Feb	%	8,1	-	8,1
WEDNESDAY (7 April)							
	PL	MPC decision		%	0.1	0.1	-
09:55	DE	Markit Germany Services PMI	Mar	pts	50.8	-	50.8
10:00	EZ	Eurozone Services PMI	Mar	pts	48.8	-	48.8
20:00	US	FOMC Meeting Minutes	Mar/21		-	-	0.0
THURSDAY (8 April)							
08:00	DE	Factory Orders	Feb	% m/m	1.25	-	1.4
09:00	CZ	Industrial Production	Feb	% y/y	0.5	-	-4.4
09:00	HU	Industrial Production SA	Feb	% y/y	0.3	-	-2.84
14:30	US	Initial Jobless Claims		k	675.0	-	719.0
FRIDAY (9 April)							
08:00	DE	Exports SA	Feb	% m/m	1.05	-	1.5
08:00	DE	Industrial Production SA	Feb	% m/m	1.5	-	-2.5
09:00	HU	CPI	Mar	% y/y	3.7	-	3.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

** estimate after CPI data

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