

## Eyeopener

### MPC has changed the statement, not approach

MPC did not point to too small PLN depreciation anymore, is not afraid of higher CPI  
 Larger US trade deficit temporarily weakened the dollar. Stronger CEE currencies  
 Global yields stable, Polish yields lower  
 Today industrial data from Germany and the CEE region

On Wednesday the market activity was limited again. Stock market indices barely changed and EURUSD, even though it went up, the move was less pronounced than in the previous days. The increasing US trade deficit was putting a pressure on the dollar. On the other hand, the euro was supported by final PMI for services in the euro zone countries: most surprised to the upside. 10Y US bond yield tried to rebound yesterday, while Polish papers managed to gain. The German debt lost after information that the ECB bought last week papers worth €10bn as compared to €20bn previously (the recent rise was interpreted as ECB's attempt to stop the upward yield trend). Moreover, Klaas Knot, a member of ECB Governing Council said that the PEPP programme could begin to roll back in 3Q21, if the economic situation is in line with ECB forecasts. Minutes from the March FOMC meeting showed that probably a long time will pass before long-term targets of full employment and price stability are achieved in the USA. Thus, asset purchases will continue at current pace. The FOMC interpreted rising long-term yields as a reflection of improving economic prospects.

**The MPC kept interest rates unchanged**, with the reference rate still at 0.10%. The post-meeting official statement included two notable changes: 1) The MPC dropped the sentence stating that the pace of recovery may be limited by insufficient and not persistent zloty weakening; 2) The March rise of CPI to 3.2% encouraged the MPC members to comment more on inflation, but still they have just downplayed its rise. We stick to our view that the MPC will keep interest rates unchanged, probably until mid-2022 when the NBP governor's tenure ends. More in [Economic Comment](#).

According to Labour Ministry **the registered unemployment rate decreased in March** from 6.5% to 6.4%. The number of unemployed fell by 20k during the month. On one hand, the negative signal from the February data (untypical rise in the number of unemployed) was not confirmed, but on the other hand the unemployment decline was clearly smaller than in previous years, and in seasonally adjusted terms it has even increased slightly. Labour market is clearly unsupported by tightened restrictions and this effect will be also visible in April data, we think. At the end of April it will be one year since the first disbursement of money from the PFR financial shield, so we will enter the period when companies will be able to ask for partial loan remission. As one of the conditions for remission was preserving the job count, it is possible that some employers will decide to finally cut employment once they are done with financial aid from the shield. We do not think it will generate a major unemployment rise, as the economic outlook has been improving as the vaccine rollout progresses. Our forecast is that the unemployment rate should be quite stable this year, reaching 6.5% in December.

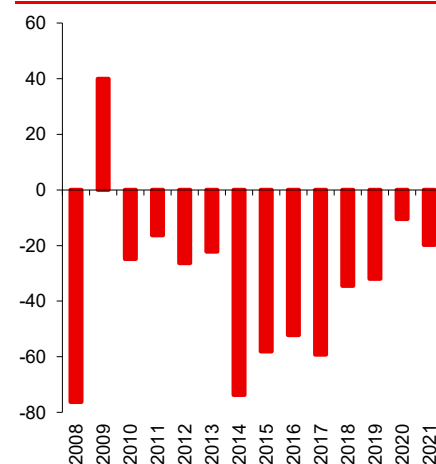
**The country-wide restrictions** currently in force have been extended to at least 18 April (vs the previous end date of 9 April). The health minister said that kindergartens and stationary schooling of youngest pupils will be the first to re-open, possibly still in April, but also warned that most likely the early May holiday period (with national holidays on 1 and 3 May) will be spent under the current sanitary and social distancing regime.

**EURUSD** struggled to extend the correction that has started at the turn of the month. Despite a supportive pattern of data the exchange rate did not rise much and after breaking above 1.19 pulled back to almost the opening level (1.1875).

**EURPLN** dropped by 0.02PLN to 4.57. In our view MPC by removing the sentence about insufficient depreciation of the zloty during the pandemic gave the local currency room for significant strengthening. Despite this, the zloty did not outperform other CEE currencies yesterday. These were also seen strengthening by c.0.5% vs the euro (while USDRUB declined to 77).

**On the domestic interest rate market**, long-end bond yields fell and respective IRS rates even more. Thanks to this and the Bund-negative news from the ECB, the PL-DE spread returned below 190bp.

Number of the unemployed change in March, m/m, in thousand persons



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 Source: GUS, Labour Ministry, Santander

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**FX market**

Today's opening			
EURPLN	4.5631	CZKPLN	0.1763
USDPLN	3.8452	HUFPLN*	1.2706
EURUSD	1.1872	RUBPLN	0.0500
CHFPLN	4.1369	NOKPLN	0.4534
GBPPLN	5.2885	DKKPLN	0.6137
USDCNY	6.5468	SEKPLN	0.4460

\*for 100HUF

Last session in the FX market						07/04/2021
	min	max	open	close	fixing	
EURPLN	4.560	4.603	4.588	4.572	4.590	
USDPLN	3.831	3.876	3.866	3.846	3.861	
EURUSD	1.186	1.191	1.187	1.189	-	

**Interest rate market** 07/04/2021

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.11	-1
DS0725 (5Y)	0.94	0
DS1030 (10Y)	1.57	-1

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.26	-1	0.22	0	-0.56	-1
2L	0.50	-2	0.29	-1	-0.51	0
3L	0.77	-2	0.49	0	-0.47	0
4L	1.03	-2	0.75	0	-0.41	0
5L	1.26	-1	0.98	-1	-0.34	0
8L	1.64	-1	1.49	0	-0.11	0
10L	1.81	-3	1.69	0	0.04	0

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	1
T/N	0.10	1
SW	0.10	0
2W	0.16	0
1M	0.18	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	0.25	-1
9x12	0.33	-3
3x9	0.28	0
6x12	0.35	-1

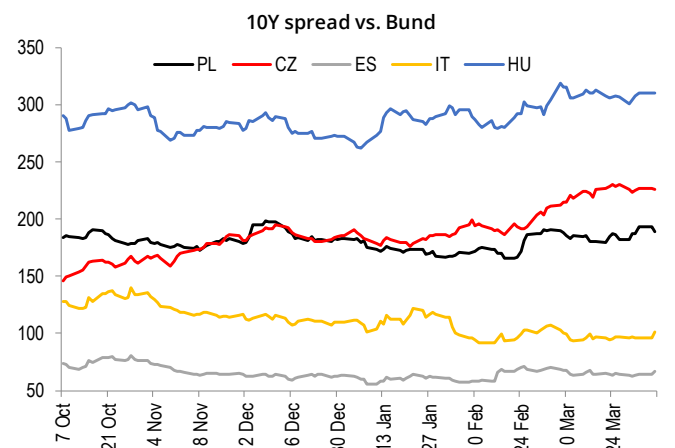
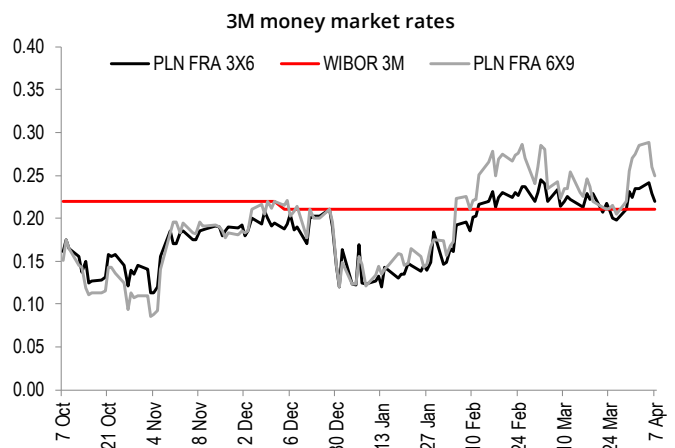
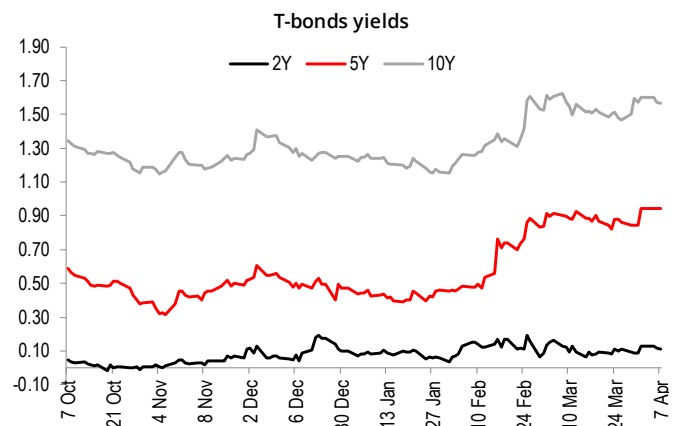
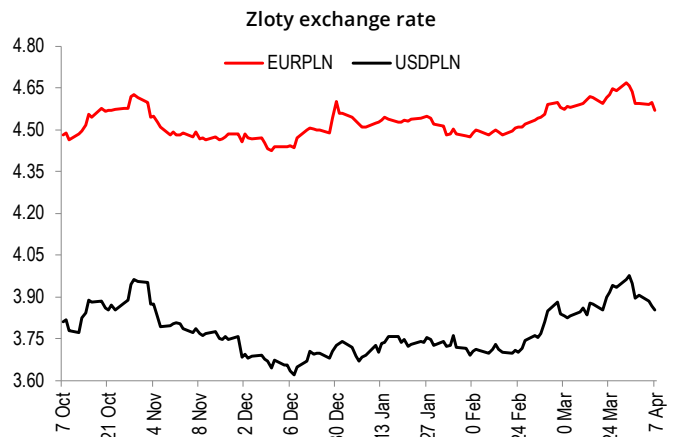
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	189	-4
France	8	0	25	1
Hungary	64	0	311	0
Spain	34	0	67	3
Italy	46	1	102	6
Portugal	23	0	56	2
Ireland	10	0	36	1
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		
<b>FRIDAY (2 April)</b>							
14:30	US	Change in Nonfarm Payrolls	Mar	k	650	916	379
14:30	US	Unemployment Rate	Mar	%	6.0	6.0	6.2
<b>MONDAY (5 April)</b>							
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
<b>TUESDAY (6 April)</b>							
03:45	CN	Caixin China PMI Services	Mar	pts	52.1	54.3	51.5
11:00	EZ	Unemployment Rate	Feb	%	8.1	8.3	8.3
<b>WEDNESDAY (7 April)</b>							
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
09:55	DE	Markit Germany Services PMI	Mar	pts	50.8	-	51.5
10:00	EZ	Eurozone Services PMI	Mar	pts	48.8	-	49.6
20:00	US	FOMC Meeting Minutes	Mar/21		-	-	0.0
<b>THURSDAY (8 April)</b>							
08:00	DE	Factory Orders	Feb	% m/m	1.2	1.2	1.4
09:00	CZ	Industrial Production	Feb	% y/y	0.4	-2.6	-4.4
09:00	HU	Industrial Production SA	Feb	% y/y	-0.9	3.9	-2.8
14:30	US	Initial Jobless Claims		k	675	-	719
<b>FRIDAY (9 April)</b>							
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
<b>15:00</b>	<b>PL</b>	<b>NBP president's videoconference</b>					

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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