

Eyeopener

Zloty in NBP's comfort zone

Glapiński: zloty in the "comfort zone", persistent change in QE
 EURUSD stable, zloty even stronger
 Polish 10Y bonds did not follow rising yields abroad
 Today, retail sales in the euro zone

At the end of last week the markets started shaking off the Easter marasm. The S&P index climbed for the second day in a row, US bond yields also rose more vigorously, supporting the dollar. In our view these changes will continue this week and will be facilitated by inflation data. On Friday the PPI data from China and USA proved markedly higher than expected even though the market anticipated a solid upward move.

During his Friday speech the NBP governor Adam Glapiński emphasised that the central bank expects inflation rise to be transitory and driven entirely by supply-side factors, independent from monetary policy. He admitted that in the coming months inflation will top the 3.5% tolerance threshold, but in 2022 it should fall to the target again. Glapiński said the central bank is quite optimistic about the economic outlook, but stressed it is much too early to talk about any policy tightening due to persisting uncertainty. He repeated that rates will most likely remain unchanged until the end of the MPC's term and that in more distant future monetary policy decisions will depend on economic situation (with both easing and tightening not being excluded). Glapiński admitted that the zloty is currently in the NBP's "comfort zone" – the central bank preserves the right to intervene if needed but currently does not see any reason to do it. We see those comments and the earlier change in MPC statement as a signal that the central bank wants to withdraw from rhetoric aimed at steering the exchange rate. NBP head confirmed that the bank intends to boost its QE activity and the change will be "persistent". He also revealed that the **2020 NBP profit was PLN9.3bn**, out of which PLN8.9bn will be paid to the state budget.

Minutes from the March MPC meeting did not bring much new to the monetary policy outlook, especially given changes in the April statement and comments of president Glapiński. Some MPC members gathered that rates should go up in 2H21, but most expressed their concerns about premature monetary policy tightening.

EURUSD after a dynamic upside move on Thursday evening to above 1.19, on Friday was again below the level. The dollar strengthened vs majority of EM currencies and in our view is preparing for a larger move in this direction. With Covid-19 wave rising in Germany as well as looming new restrictions and poor data in that country, it seems likely that EURUSD will be heading lower.

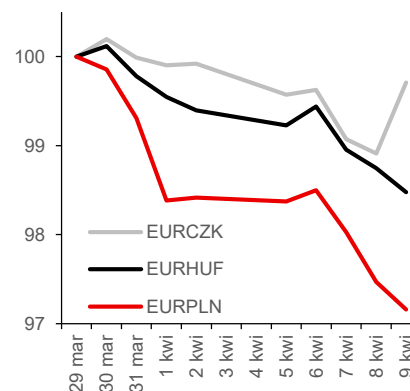
EURPLN continued the decline from the previous days, but the move started only after the surprisingly neutral Adam Glapiński's comment about fx (zloty in the NBP's "comfort zone"). In the coming days EURPLN should stabilize or possibly attempt to reach the 200-day moving average at 4.50 for a short period. After that the exchange rate should head above 4.60 again, amid stronger dollar, the global market sentiment, but also some lingering geopolitical risks (Russia-Ukraine) and possibly rising tensions within the governing coalition in Poland.

As for the other CEE currencies, the forint tried to keep the pace of the zloty's appreciation, supported by the inflation data confirming that CPI rose to 3.7% y/y. However EURCZK returned above 26, which meant a loss vs PLN of more than 1% in one day. The different performance of the Czech and Hungarian currencies occurred despite both countries observing improved Covid stats and signalling easing of restrictions soon.

On the Polish fixed income market it was only a belly of the bond curve which slightly followed the c.4bp rise in the core market yields, the long end remained unchanged. The fact that NBP's Adam Glapiński underlined the need to keep yields in check and more active use of the QE programme should weaken any further dependency between core market yields and local yields. On Wednesday the NBP purchase auction is scheduled (one of the two auctions in April).

This week's calendar has three important Polish macroeconomic data: February balance of payments (Tuesday, we think there still remains a significant current account surplus), March CPI (Thursday) and March core CPI (Friday). The final inflation reading will help assess whether and if yes, by how much the March core CPI increase (we think to 4.0% y/y) will likely recede. Abroad, there are some important publications as well, including inflation, production and retail sales in the US and Eurozone. In Poland, the Supreme Court ruling toward the currency mortgages initially scheduled for 13 April got postponed till 15 May. There will be another Supreme Court meeting on 15 April (incomplete chamber), while on 29 April the ECJ verdict is expected on issues related to Polish FX-mortgages.

CEE fx performance in the last two weeks, 29 Mar = 100



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.5266	CZKPLN	0.1734
USDPLN	3.8072	HUFPLN*	1.2570
EURUSD	1.1893	RUBPLN	0.0491
CHFPLN	4.1106	NOKPLN	0.4474
GBPPLN	5.2135	DKKPLN	0.6087
USDCNY	6.5517	SEKPLN	0.4443

*for 100HUF

Last session in the FX market						09/04/2021
	min	max	open	close	fixing	
EURPLN	4.527	4.554	4.544	4.533	4.541	
USDPLN	3.806	3.836	3.816	3.810	3.821	
EURUSD	1.187	1.190	1.190	1.190	-	

Interest rate market 09/04/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.11	-1
DS0725 (5Y)	0.94	9
DS1030 (10Y)	1.58	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	0	0.21	0	-0.55	0
2L	0.50	1	0.28	0	-0.51	0
3L	0.76	2	0.48	2	-0.46	2
4L	1.03	1	0.74	3	-0.40	3
5L	1.26	2	0.97	3	-0.33	3
8L	1.61	4	1.48	5	-0.10	3
10L	1.78	2	1.68	4	0.05	4

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.10	-1
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	0
3x6	0.22	0
6x9	0.25	1
9x12	0.33	2
3x9	0.28	1
6x12	0.33	2

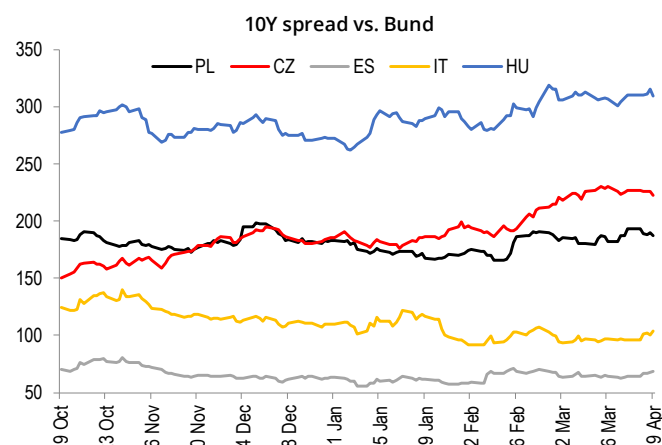
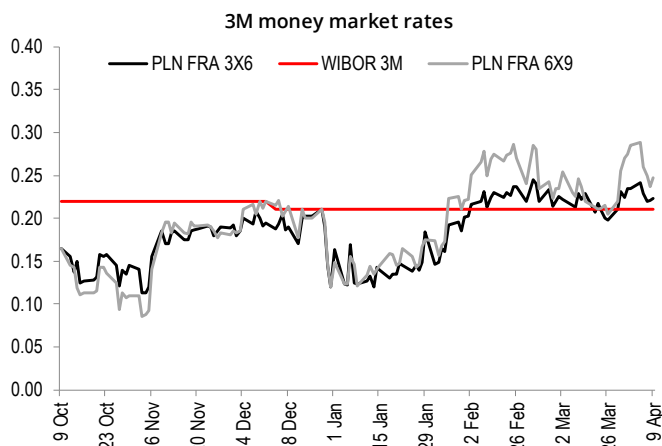
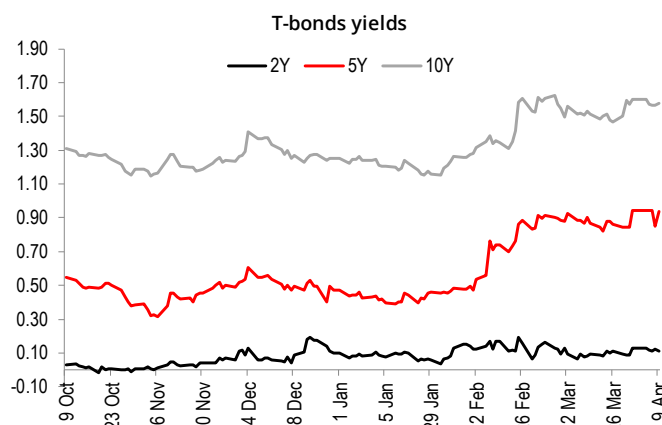
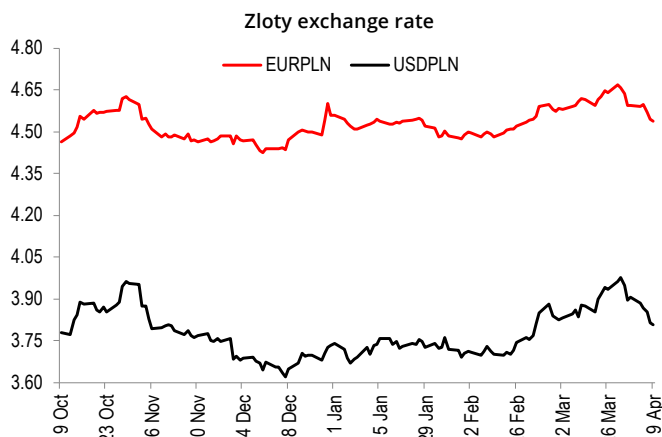
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	187	-3
France	8	0	26	1
Hungary	64	0	310	-6
Spain	33	0	68	1
Italy	47	1	104	4
Portugal	22	0	58	1
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 (9 April)							
08:00	DE	Exports SA	Feb	% m/m	1.0	0.9	1.4
08:00	DE	Industrial Production SA	Feb	% m/m	1.5	-1.6	-2.5
09:00	HU	CPI	Mar	% y/y	3.7	3.7	3.1
MONDAY (12 April)							
11:00	EZ	Retail Sales	Feb	% m/m	1.3	-	-5.9
TUESDAY (13 April)							
09:00	CZ	CPI	Mar	% y/y	2.3	-	2.1
11:00	DE	ZEW Survey Current Situation	Apr	pts	-53.0	-	-61.0
14:00	PL	Current Account Balance	Feb	€mn	1550	1695	-
14:00	PL	Trade Balance	Feb	€mn	968	1048	-
14:00	PL	Exports	Feb	€mn	20484	20237	-
14:00	PL	Imports	Feb	€mn	19609	19189	-
14:30	US	CPI	Mar	% m/m	0.5	-	0.4
WEDNESDAY (14 April)							
11:00	EZ	Industrial Production SA	Feb	% m/m	0.3	-	0.8
THURSDAY (15 April)							
08:00	DE	HICP	Mar	% m/m	0.5	-	0.5
10:00	PL	CPI	Mar	% y/y	3.2	3.2	-
14:30	US	Initial Jobless Claims		k	680	-	744
14:30	US	Retail Sales Advance	Mar	% m/m	5.0	-	-3.0
14:30	US	Index Philly Fed	Apr		37.5	-	51.8
15:15	US	Industrial Production	Mar	% m/m	2.9	-	-2.2
FRIDAY (16 April)							
11:00	EZ	HICP	Mar	% y/y	1.3	-	1.3
14:00	PL	CPI Core	Mar	% y/y	3.9	4.0	-
14:30	US	Housing Starts	Mar	% m/m	14.0	-	-10.3
16:00	US	Michigan index	Apr	pts	88.8	-	84.9

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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