

14 April 2021

Eyeopener

Another solid foreign trade data

Current account still in big surplus
Zloty weaker, despite solid data and higher EURUSD
Polish bonds gained, IRS lower – ahead of the NBP's buying auction
Today, industrial output in the euro zone, NBP president's speech

On Tuesday equity indices were relatively stable, the dollar weakened by 0.2% vs the basket of developed market currencies, however CEE currencies including zloty were on the back foot. The core market yields were stable UST at 1.66% and Bund -0.29%. In the Eurozone the ZEW expectations index declined to 66.3 (from 74.0) while the German ZEW expectations fell to 70.7 from 76.6. The German Wholesale Price Index in March accelerated to as much as 4.1% y/y following the global trend (last week high PPI prints occurred in the US and China, this week on Monday in Japan). EBC has increased the bond purchases last week (within the PEPP programme) to EUR 17.1bn. In the US the March CPI surprised to the upside (by 0.1pp vs the market consensus expectations), the main reason behind the rise being the gasoline prices. The data also point to mounting inflation pressures as the US economy reopens and the demand is picking up. The core CPI has also increased and beat expectations. The 30Y UST auction was very well received which pushed the yields lower (UST opens at 1.62% today).

February current account balance amounted to EUR1.6bn, roughly in line with our expectations (EUR1.7bn) and market consensus (EUR1.5bn). Trade turnover surprised to the upside, with exports adding 6.2% y/y and imports 6.0% y/y and confirming that weak results in January (negative annual growth rates) were only a one-off probably caused by Brexit prestocking. Especially good results of imports come as a surprise, as spread between growth rates of export and import was the narrowest since April 2020. According to the NBP comment, vaccines were an important factor ramping up imports and this will clearly be affecting trade data also in the following months. We are expecting the foreign trade turnover to remain robust in the months to come. Trade in services remained muted with exports down by 7.7% y/y and imports down by 10.5% y/y. This will not change until lockdowns are in place. 12M current account remained at January's 3.7% of GDP and we are expecting this measure to stabilise or inch down in the months to come.

MPC's Jerzy Żyżyński said that until the economy is still on the road to normalisation there is way too early to speculate about monetary tightening and when the time comes, it will be communicated with a lead and gradually. In his view it is unlikely that CPI will exceed 3.5% in the near term (although Adam Glapiński did not rule it out) and with GDP growth expected near 4% this year there should be no fundamental inflationary pressure. Żyżyński said that a removal of sentence about insufficient zloty depreciation from the statement should be perceived as neutral for markets. As regards QE, he said the increased NBP activity does not imply extension of asset list. **MPC's Łukasz Hardt** signalled that the first step towards monetary policy normalisation should be an immediate restoration of the reserve requirement rate to the pre-pandemic level (3.5% vs current 0.5%), and then the central bank should consider hiking the reference rate by 15bp. Such views are apparently in minority in the MPC.

EURUSD was at first moving down (daily low around 1.188), but changed course and at the end of the day was oscillating around 1.194.

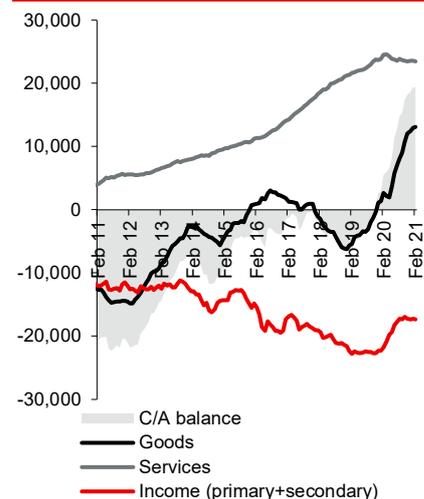
EURPLN was the worst performing EM currency vs the dollar on Tuesday (-0.4%), together with the Ukrainian hryvnia and the Hungarian forint. This weakness could not have come from the balance of payments data (as these were near expectations, showing still large C/A surplus), but it might be a reflection of the growing attention of investors directed at Polish political situation (growing tensions within the ruling coalition and the possible trouble in approving the EU recovery package).

Among **other CEE currencies**, the forint was also on the back foot, EURHUF rose by 0.4% to 359.0, but EURCZK fell by 0.3% to 25.95 after the lower-than-expected March CPI (2.3% y/y). The ruble was also doing fine – USDRUB decreased by 0.5% to 77.0 due to more expensive oil (Brent price up to US\$64/bbl).

On the **domestic interest rate market** the 2Y IRS rate was stable at 0.51% but rates fell further on the curve, by 4-5bp: 5Y to 1.22% and 10Y to 1.74%. Given stable core bond yields, this decline could be attributed to bond strengthening one day before NBP purchasing auction (5Y -4bp to 0.80%, 10Y -4bp to 1.50%). ASW amounted to -23bp and spread to Bund narrowed to 179bp. On Thursday (15 April) the state-owned BGK bank is to offer three bond series (FPC0328, FPC0733 and FPC1140) worth at least PLN1.0bn.

Today at 9:20 the NBP head Adam Glapiński is to deliver a speech during the banking and insurance summit. Also today the government is to present epidemic restrictions after 18 April.

Polish current account



Source: Refinitiv, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
Piotr Bielski +48 22 534 18 87
Marcin Łuziński +48 22 534 18 85
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 19 23

FX market

Today's opening			
EURPLN	4.5564	CZKPLN	0.1758
USDPLN	3.8100	HUFPLN*	1.2583
EURUSD	1.1965	RUBPLN	0.0504
CHFPLN	4.1419	NOKPLN	0.4508
GBPPLN	5.2484	DKKPLN	0.6127
USDCNY	6.5387	SEKPLN	0.4483

*for 100HUF

Last session in the FX market						13/04/2021
	min	max	open	close	fixing	
EURPLN	4.520	4.572	4.532	4.563	4.563	
USDPLN	3.811	3.844	3.813	3.823	3.834	
EURUSD	1.188	1.194	1.189	1.194	-	

Interest rate market 13/04/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.09	-2
DS0725 (5Y)	0.81	-5
DS1030 (10Y)	1.51	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	0	0.21	-2	-0.54	0
2L	0.52	1	0.28	-1	-0.51	0
3L	0.77	-1	0.46	-3	-0.46	0
4L	1.01	-5	0.70	-5	-0.41	-2
5L	1.22	-5	0.92	-5	-0.33	-1
8L	1.57	-4	1.42	-7	-0.10	-1
10L	1.73	-5	1.61	-7	0.05	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
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	0
3x6	0.22	0
6x9	0.24	0
9x12	0.34	0
3x9	0.29	0
6x12	0.35	0

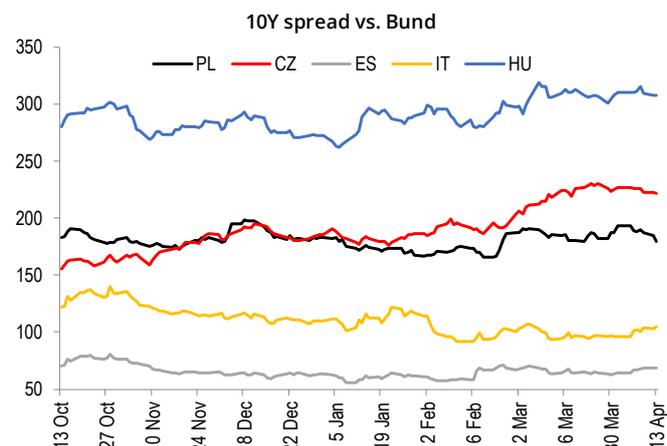
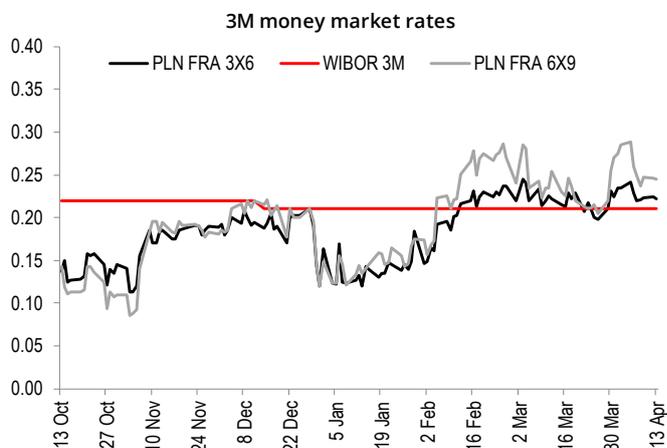
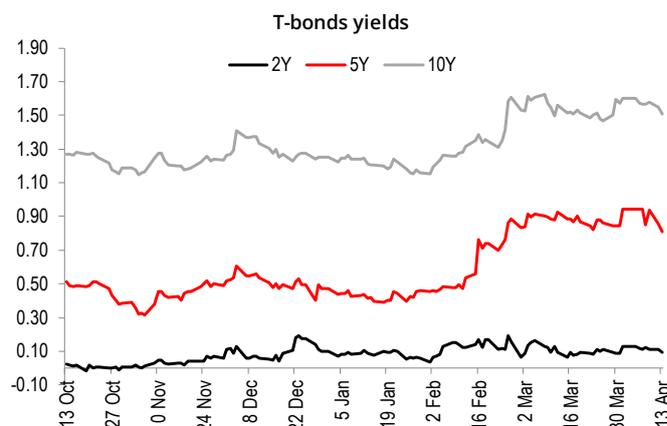
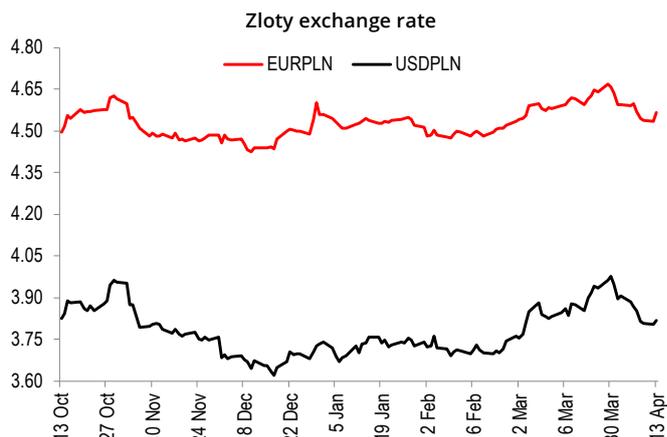
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	180	-5
France	9	1	26	0
Hungary	64	0	308	1
Spain	34	1	68	0
Italy	49	1	105	2
Portugal	22	1	59	0
Ireland	10	0	37	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	1.7	3.0	-5.9
TUESDAY (13 April)							
09:00	CZ	CPI	Mar	% y/y	2.4	2.3	2.1
11:00	DE	ZEW Survey Current Situation	Apr	pts	-54.1	-48.8	-61.0
14:00	PL	Current Account Balance	Feb	€mn	1602	1695	1619
14:00	PL	Trade Balance	Feb	€mn	1141	1048	883
14:00	PL	Exports	Feb	€mn	20484	20237	21322
14:00	PL	Imports	Feb	€mn	19383	19189	20439
14:30	US	CPI	Mar	% m/m	0.5	0.6	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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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.