

15 April 2021

Eyeopener

Restrictions extended again

Stock markets calm at the start of the 1Q earnings season
Zloty stable, EURPLN still high
Polish bonds gained amid NBP repurchase auction, but IRS up
Today, inflation in Poland and Germany, retail sales in the USA

On Wednesday stock exchanges were quiet for another day. The 1Q21 reporting season has been started by releases of large banks – JP Morgan and Goldman Sachs results came much better than expected. The dollar settled, UST yields were slowly going up (+2bp to 1.64%) after the Tuesday decline caused by a very strong 30Y tender. Bunds were moving in a similar way (+3bp to -0.28%). Oil price went up by 2% (Brent reached US\$61.4/bbl), copper was up 0.5% to US\$8900/tonne and gold price dropped by 0.3% to US\$1738/oz. Macroeconomic data continued the streak of positive surprises. On Wednesday there were better-than-expected releases of Singapore 1Q GDP (2.0% y/y vs 1.7% expected), Eurozone industrial output for February (-1.0% m/m vs -1.3% expected). There were also upside surprises on the inflation front: in Sweden (by 0.1pp), Israel (by 0.1pp) and in US export and import prices (by c.0.5pp). Fed chairman Jerome Powell said in the evening that asset purchases will end much earlier than any potential rate increase. ECB's Christine Lagarde stated that the Eurozone economy still needs fiscal and monetary stimuli to get out of the crisis caused by the pandemic.

The Polish government decided to **extend the current pandemic restrictions** to 25 April, but hotels will stay closed until 3 May (as we expected) to prevent the spread of the virus during the early-May holiday period (national holidays on 1 and 3 May). At the same time, on 19 April nurseries and kindergartens are to be reopened. After 25 April some easing is possible but only in selected regions and areas of social activity.

Ministry of Finance plans to slightly adjust its economic forecasts in its Convergence Program Update: the 2021 GDP growth should fall below 4.0% while the CPI will remain above 3.0% for the whole 2021 year and half of the 2022. Moreover, the MoF chief economist Lukasz Czernicki said that EURPLN level of 4.60 is not causing concerns and looking "at the Polish economy fundamentals" he would rather expect a fall of EURPLN. Recently, we have also lowered the GDP forecast for 2021 (to 4.2%) due to lengthy pandemic. We also see risks of CPI above 3.0% in 2022.

EURUSD has increased slightly on Wednesday and stabilized near 1.195 (at the level of 50-day moving average, just slightly above the 200-day moving average).

EURPLN has also stabilized at the 50-day moving average level (4.558). The march final CPI reading (today) and core CPI (tomorrow) should help set the currency pair direction for the coming weeks. We think that in the short term EURPLN might try to test 4.60.

As to the **other regional currencies**, EURHUF stays at the 200-day moving average and in the short term is likely to rebound a bit from here. EURCZK stabilized near 25.95. USDRUB continued its correction lower and declined another 0.4% to 75.65. If the momentum persists the pair might reach 74.8 in the short term.

On the **domestic interest rate market** the IRS curve was under pressure on the shorter end (2Y +2bp to 0.53%), the belly followed a similar path (5Y up by 2bp to 1.24%), while 10Y IRS remained relatively stable (1.74%). On the other hand, the bond curve went down given the NBP auction, with 5Y down by 2bp to 0.78%, 10Y down by 1bp to 1.49%. At the same time, asset swap spreads resumed their move towards all-time low and ended the day at -0.46pp (5Y) and -0.25pp (10Y).

During the first of two **NBP asset purchases auction** scheduled for this month, the central bank bought T-bonds worth PLN5.4bn. This is a clear jump versus the previous month (PLN4.0bn). Given that the next auction will be settled in May already, we view it highly probable that the yesterday's tender will turn out to be the bigger one out of two in April. The NBP bought PLN2.3bn of benchmark 10Y bond (DS1030) and PLN0.8bn of the older benchmark (DS1029). Only PLN0.9bn of 5Y PS0425 were bought. Non-treasury bonds (BGK) worth PLN0.5bn were sold. In total the NBP bought PLN62bn of T-bonds and PLN37bn of BGK bonds and PLN20bn of PFR bonds. The **Finance Ministry** informed that it has sold retail bonds worth PLN3.9bn in March 2021 versus PLN3.0bn one month before and PLN10.1 year-to-date.

5Y asset swap at the lowest level since 2000



Source: Refinitiv, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 22 534 18 87
Marcin Luzziński +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	4.5510	CZKPLN	0.1752
USDPLN	3.8009	HUFPLN*	1.2590
EURUSD	1.1975	RUBPLN	0.0494
CHFPLN	4.1163	NOKPLN	0.4528
GBPPLN	5.2378	DKKPLN	0.6118
USDCNY	6.5339	SEKPLN	0.4484

*for 100HUF

Last session in the FX market						14/04/2021
	min	max	open	close	fixing	
EURPLN	4.546	4.565	4.560	4.553	4.555	
USDPLN	3.800	3.817	3.813	3.802	3.807	
EURUSD	1.195	1.198	1.196	1.197	-	

Interest rate market 14/04/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.09	0
DS0725 (5Y)	0.81	0
DS1030 (10Y)	1.50	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.26	1	0.21	0	-0.54	1
2L	0.54	2	0.28	0	-0.49	2
3L	0.80	3	0.47	1	-0.44	2
4L	1.04	3	0.71	1	-0.38	3
5L	1.25	3	0.93	1	-0.30	3
8L	1.58	1	1.41	0	-0.06	4
10L	1.75	1	1.62	1	0.09	5

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	-1
3x6	0.22	0
6x9	0.24	0
9x12	0.34	0
3x9	0.27	-2
6x12	0.35	0

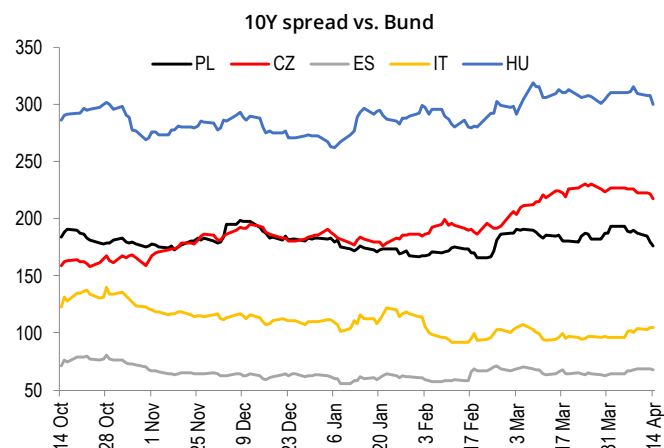
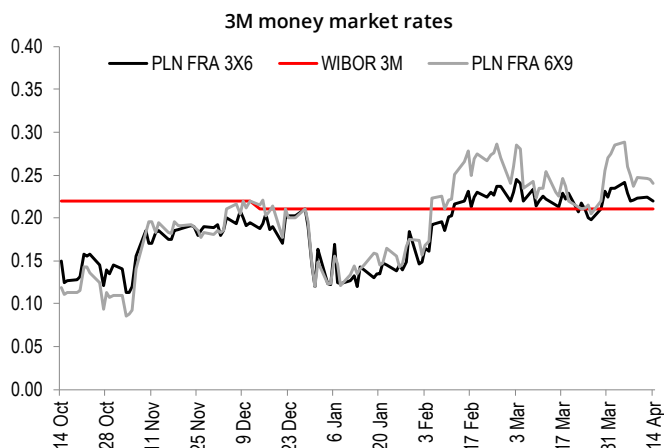
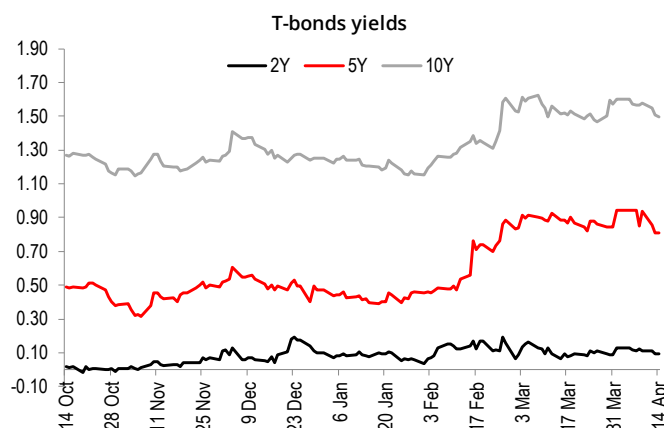
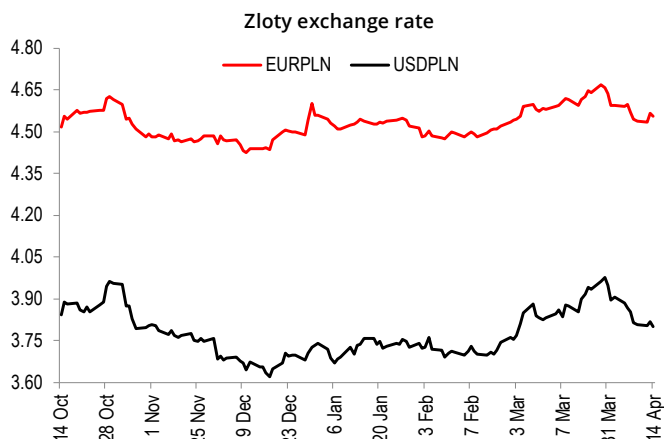
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	176	-4
France	10	1	26	0
Hungary	64	0	300	-8
Spain	36	2	68	-1
Italy	50	1	104	0
Portugal	22	0	58	-1
Ireland	10	0	38	2
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	-1.3	-1.0	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.