

16 April 2021

## Eyeopener

### Prices of goods started accelerating

CPI data suggesting core inflation rise to 4% in March  
 Equity markets in green after strong US macro data  
 EURUSD and EURPLN stable  
 Polish bond yields lower amid stable IRS; ASW even more negative  
 Today, core inflation in Poland, housing starts in the US

On Thursday stock indexes went up after better-than-expected US macro data (significant improvement on the labour market, high growth of retail sales) and another batch of solid financial results of US corporations (i.a. Bank of America). Despite the positive news flow the dollar was stable and UST yields even declined quite a lot (10Y down 5bp to 1.59%). This decline might have been a reaction to new sanctions imposed by US president Joe Biden on Russia for interfering in US elections and cyberattacks. The executive order forbids US financial institutions to trade Russian bonds. Personal sanctions were also imposed. As a result Russian USD-denominated bonds and the ruble were going down. When it comes to commodities, industrial metals and gold prices were moving higher while oil got cheaper (Brent down to US\$62.9/bbl). The central bank of Turkey left rates unchanged at 19.0%. This morning important Chinese data came out: 1Q GDP (18.3% y/y) and industrial output (24.5% y/y) were just below forecasts, but retail sales (34.2% y/y) was way above expectations.

**MPC's Cezary Kochalski** does not expect the economic situation in 2022 to be good enough to encourage rate hikes. In his view in 2021 inflation may temporarily exceed 3.5% y/y (upper bound of tolerable deviations from target) but in 2022 it should return close to the target (2.5%). He thinks it is still too early to start discussing reserve requirement rate hike and/or tapering of NBP's bond purchases.

Final data confirmed the **quick rise of Polish CPI in March to 3.2% y/y** from 2.4%. Our estimates still point to a rebound of core inflation in March to c.4% y/y. While services prices inflation remained high (7.3% y/y), goods prices inflation accelerated to 1.9% y/y, which is the highest pace since April 2020. In our view the headline inflation may climb even to around 4% in April and May, but later should recede to the 3-3.5% area for the rest of the year. See more details in our [Economic comment](#).

The GUS (statistical office) **data on February foreign trade** showed that the February rebound after the January slump was mainly due to revival in exports to Germany (up 16% y/y, even more than the 4Q20 average, in January at -3% y/y). Export growth to the eurozone moved back above 10% y/y. Double-digit export growth was also maintained to other emerging market countries for a 5th month in a row (in this category there was no slump in January). Exports to the UK (after strong end of 2020 and a slump in January by as much as 25%) in February further dropped but only by 8% y/y. On the imports side, the February rebound was to a smaller extent led by Germany, and more by other European countries (Italy up 10% y/y, Netherlands up 20% y/y). Imports from China grew by 25% y/y (after January fall of 5%), while imports from South Korea improved significantly as well. Imports from Russia were just 9% lower than a year ago (vs -37% on average in 4Q2020).

**EURUSD** was pretty stable on Thursday, traded just a touch lower at 1.197. Week-to-date the exchange rate has grown by 0.6% already.

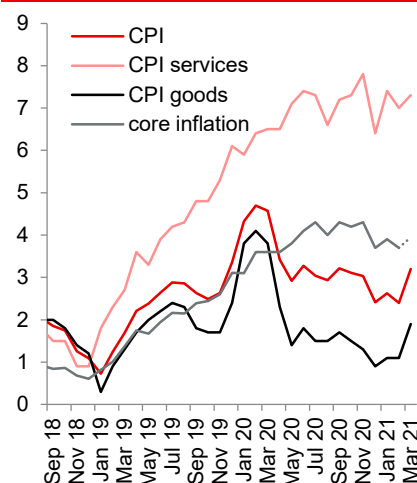
**EURPLN** for another day stayed exactly at the 50-day moving average not showing any signs of volatility.

**In the CEE region:** EURHUF rebounded slightly and ended the day at 359.2 and it seems that the downward correction started in mid-March was finished and the pair could resume its ascent towards 364.0. EURCZK was stable, as usual (25.92). The ruble lost markedly – temporarily even 2.3%, but “only” 1% at the close of the day due to new US sanctions.

**On the domestic interest rate market** the T-bond gained with 10Y bond yield down by 3bp to 1.46% (as compared to 1.58% last Friday), and given stable 10Y swap the record-low asset swap spread fell to -27bp and to -0.46 for 5Y tenor. Spread to Bund narrowed to 173bp.

**The state-owned bank BGK sold Covid-10 bonds** worth PLN1.7bn (PLN1.4bn of FPC0328, PLN0.3bn of FPC0733, no demand for FPC1140). Sales at the top-up sales amounted to PLN0.1bn. Total issuance plans for 2021 amount to PLN33bn, PLN9.3bn were already issued in 1Q21 and PLN11bn year-to-date.

CPI and its selected components, % y/y



Source: Refinitiv, Santander

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**FX market**

Today's opening			
EURPLN	4.5517	CZKPLN	0.1752
USDPLN	3.8032	HUFPLN*	1.2552
EURUSD	1.1966	RUBPLN	0.0500
CHFPLN	4.1248	NOKPLN	0.4533
GBPPLN	5.2312	DKKPLN	0.6119
USDCNY	6.5263	SEKPLN	0.4496

\*for 100HUF

Last session in the FX market						15/04/2021
	min	max	open	close	fixing	
EURPLN	4.546	4.562	4.550	4.551	4.555	
USDPLN	3.794	3.813	3.803	3.804	3.801	
EURUSD	1.195	1.199	1.197	1.196	-	

**Interest rate market** 15/04/2021

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.10	1
DS0725 (5Y)	0.78	-3
DS1030 (10Y)	1.45	-4

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	-1	0.22	0	-0.54	0
2L	0.53	-1	0.28	-1	-0.50	-1
3L	0.77	-3	0.46	-2	-0.46	-2
4L	1.01	-2	0.68	-2	-0.39	-1
5L	1.22	-2	0.89	-4	-0.32	-2
8L	1.56	-2	1.36	-5	-0.09	-3
10L	1.73	-2	1.55	-7	0.06	-4

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.11	1
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.24	-1
1Y	0.25	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	0.21	0
3x6	0.22	0
6x9	0.23	-1
9x12	0.32	-2
3x9	0.26	-1
6x12	0.33	-2

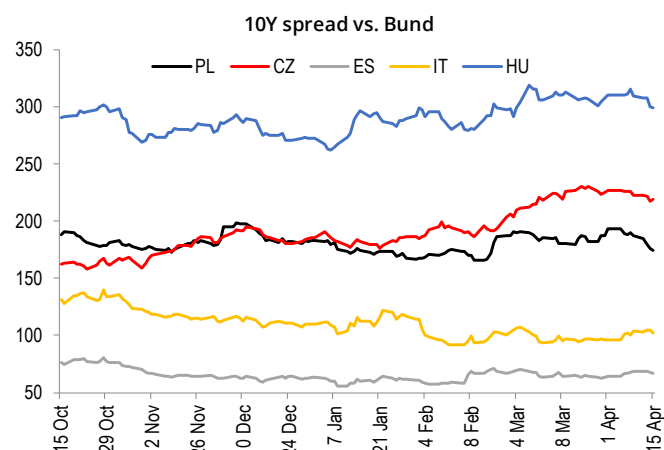
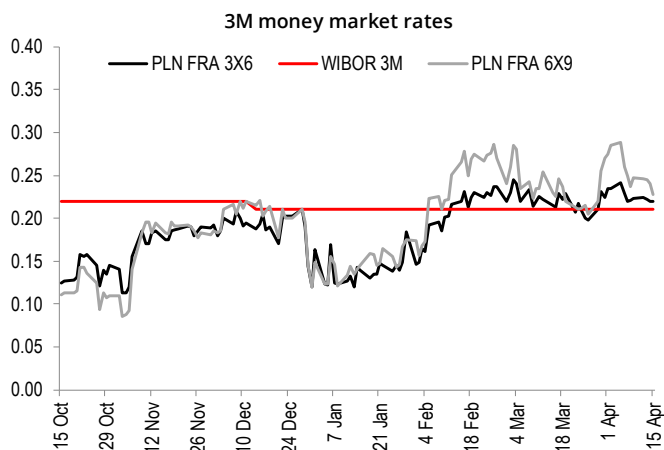
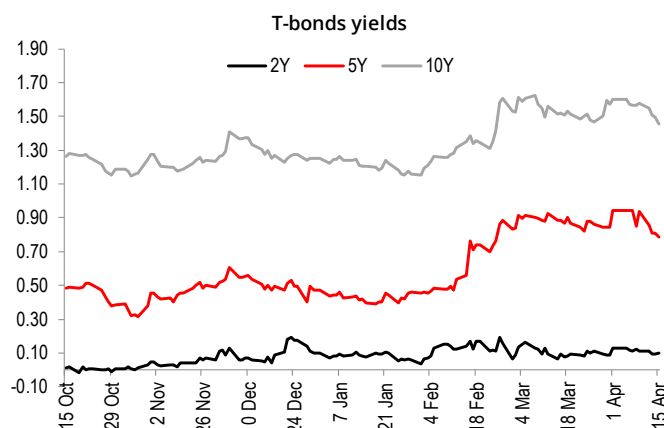
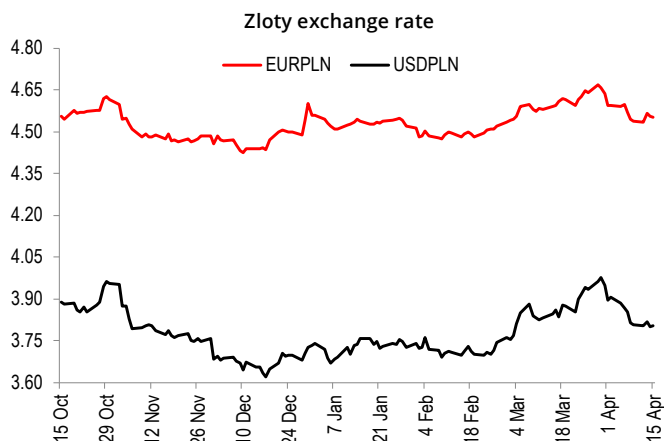
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	175	-1
France	9	-1	26	0
Hungary	64	0	299	-1
Spain	36	0	67	-1
Italy	50	0	102	-2
Portugal	22	0	68	10
Ireland	10	0	38	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		
<b>FRIDAY (9 April)</b>							
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
<b>MONDAY (12 April)</b>							
11:00	EZ	Retail Sales	Feb	% m/m	1.7	3.0	-5.9
<b>TUESDAY (13 April)</b>							
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
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Feb</b>	<b>€mn</b>	<b>1602</b>	<b>1695</b>	<b>1619</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Feb</b>	<b>€mn</b>	<b>1141</b>	<b>1048</b>	<b>883</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Feb</b>	<b>€mn</b>	<b>20484</b>	<b>20237</b>	<b>21322</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Feb</b>	<b>€mn</b>	<b>19383</b>	<b>19189</b>	<b>20439</b>
14:30	US	CPI	Mar	% m/m	0.5	0.6	0.4
<b>WEDNESDAY (14 April)</b>							
11:00	EZ	Industrial Production SA	Feb	% m/m	-1.3	-1.0	0.8
<b>THURSDAY (15 April)</b>							
08:00	DE	HICP	Mar	% m/m	0.5	0.5	0.5
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Mar</b>	<b>% y/y</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>
14:30	US	Initial Jobless Claims		k	700	576	744
14:30	US	Retail Sales Advance	Mar	% m/m	5.8	9.8	-3.0
14:30	US	Index Philly Fed	Apr		41.5	50.2	51.8
15:15	US	Industrial Production	Mar	% m/m	2.5	1.4	-2.2
<b>FRIDAY (16 April)</b>							
11:00	EZ	HICP	Mar	% y/y	1.3	-	1.3
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>Mar</b>	<b>% y/y</b>	<b>3.9</b>	<b>4.0</b>	<b>-</b>
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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