

Eyeopener

Core inflation up again

Still positive macro data, stock markets in the black
 Core inflation up to 3.9% from 3.7% in February
 EURUSD stable, EURPLN lower
 Higher IRS and yields
 No important data today

On Friday equity markets were on the rise again (better than expected results released by Morgan Stanley, among others). In the entire last week the S&P500 index rose 1.3% and since the start of April already 4%. The dollar was weakening (c.0.2%) and its weekly loss approached 0.7%. Bond yields in the core markets resumed the upward trend: Bund +2bp to 0.26%, UST +2bp to 1.59%. Macroeconomic data fit well into the positive streak from the previous days: Singapore's solid export numbers bode well for international trade, US housing market was strong, in EU-27 the new car registrations surged 87.3% y/y. Only the Michigan index disappointed, rising less than expected. But its inflation expectation survey showed rise to 3.7% from last month's 3.1%. Brent oil price fell 0.5% to \$63.2 per barrel and gold price went up 0.5% to \$1776/oz.

Core inflation excluding food and energy prices returned in March to its January level 3.9% y/y (vs. 3.7% in February), which is also its average level from 2020. CPI ex administered prices surged the most – from 1.7% to 2.6% y/y, which means that inflation is kept at elevated level increasingly by market-driven prices, not administrative decisions. Two other measures also rose. It should be noted that in m/m terms three out of four measures showed the strongest March jump since at least 2001 (since comparable data are available). According to our forecast CPI ex food and energy prices will decrease in the coming months and by the end of the year will reach c2.5% y/y. This measure may turn around in 2022, in our view, when economic recovery will be strong enough to generate upward price pressure.

HICP inflation surprised in March to the upside and jumped to 4.4% y/y from 3.6% y/y, reaching the highest level since 9 years. The core part of the HICP remained at 5.2% y/y (highest in 19 and half years) while the non-core part rebounded to 3.1% y/y from 1.0% y/y (the highest in 11 months). Core HICP was elevated by services, however it was also influenced by goods prices, especially manufactured ones (to 2.8% y/y from 1.6% y/y - the highest in 8 years, the result of cost pressures on corporations and their transmission to final prices - which was underlined in the previous months business cycle surveys). In March HICP data, the contribution of manufactured goods was equal to the contribution from fuels.

EURUSD rose on Friday by 0.1% to 1.196. The pair has barely moved in the last couple of days.

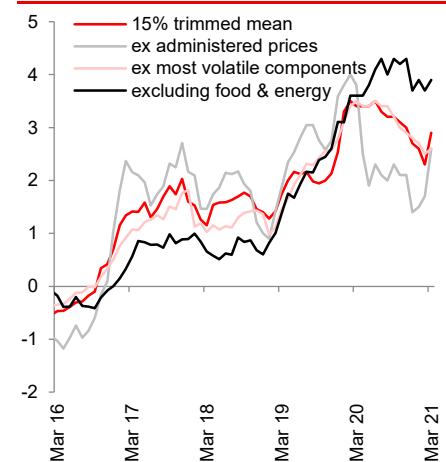
EURPLN decreased on Friday by one figure to 4.54. In our view, the exchange rate is constrained from the bottom by 4.53 (the 100-day moving average) and from the top by 4.56 (50-day moving average).

As for the other CEE currencies on Friday, EURHUF climbed by 0.5% to 361.0 despite the better than expected consumer confidence index. EURCZK was stable as usual. USD RUB declined by 0.8% to 75.7 and gave back all its increases from the early April (month-to-date change stands at 0%).

On the Polish fixed income market there was a slightly negative mood on Friday: IRS curve moved up by 2bp, 5Y to 1.25%, 10Y to 1.75%. There were more sellers on bonds as well with locals selling in the 2-5Y sector. 10Y bonds closed at 1.48% and in the coming week might slightly increase before the Friday's MinFin bond sale auction (where PLN5-8bn of bonds will be offered). 10Y ASW remained at -0.26%, spread vs Bund at 175bp.

The calendar for the coming week is dominated by local March macroeconomic data and this will likely be in the spotlight. Abroad, there is ECB meeting and preliminary April PMI in Europe.

Core inflation measures, % y/y



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.5453	CZKPLN	0.1751
USDPLN	3.7970	HUFPLN*	1.2582
EURUSD	1.1972	RUBPLN	0.0499
CHFPLN	4.1258	NOKPLN	0.4538
GBPPLN	5.2588	DKKPLN	0.6112
USDCNY	6.5206	SEKPLN	0.4495

*for 100HUF

Last session in the FX market						16/04/2021
	min	max	open	close	fixing	
EURPLN	4.539	4.556	4.546	4.544	4.548	
USDPLN	3.786	3.810	3.803	3.795	3.798	
EURUSD	1.196	1.199	1.196	1.198	-	

Interest rate market 16/04/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.10	0
DS0725 (5Y)	0.80	1
DS1030 (10Y)	1.48	3

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	0	-0.49	1
3L	0.79	2	0.46	0	-0.45	1
4L	1.04	3	0.69	0	-0.38	1
5L	1.25	3	0.90	1	-0.30	2
8L	1.59	3	1.36	0	-0.06	3
10L	1.76	3	1.55	-1	0.08	3

WIBOR rates

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

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.21	0
3x6	0.21	-1
6x9	0.24	1
9x12	0.35	3
3x9	0.26	0
6x12	0.33	0

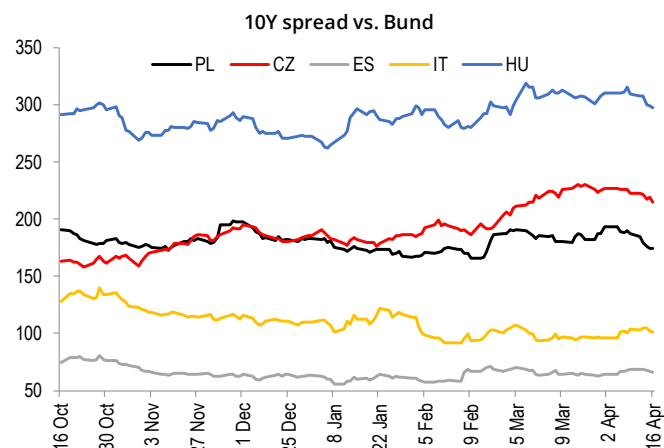
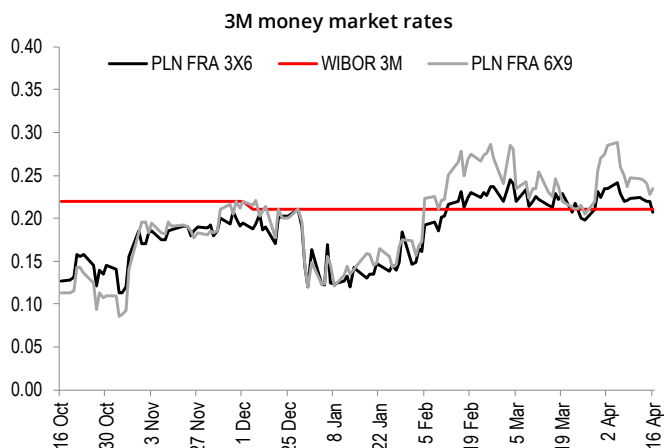
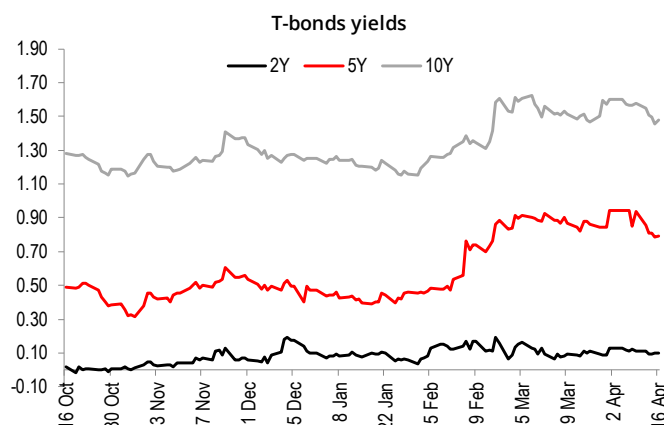
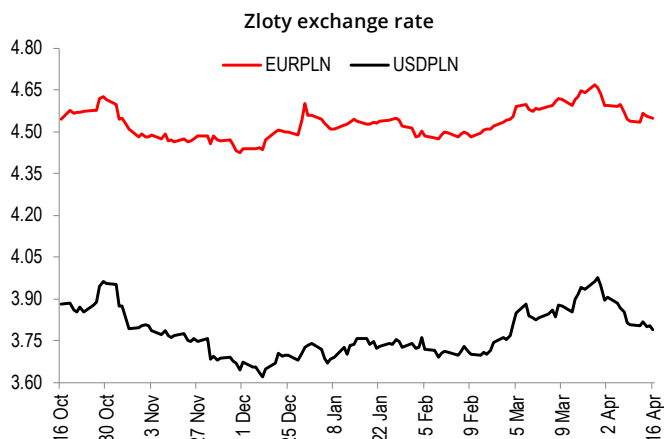
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	174	0
France	9	0	25	0
Hungary	64	0	297	-2
Spain	36	0	66	-1
Italy	50	0	101	-1
Portugal	22	0	66	-2
Ireland	10	0	37	-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		
FRIDAY (16 April)							
11:00	EZ	HICP	Mar	% y/y	1.3	1.3	1.3
14:00	PL	CPI Core	Mar	% y/y	3.9	3.9	3.7
14:30	US	Housing Starts	Mar	% m/m	13.5	19.4	-10.3
16:00	US	Michigan index	Apr	pts	89.0	86.5	84.9
WEDNESDAY (21 April)							
10:00	PL	Employment in corporate sector	Mar	% y/y	-1.2	-1.3	-
10:00	PL	Sold Industrial Output	Mar	% y/y	12.5	13.5	-
10:00	PL	PPI	Mar	% y/y	3.3	4.0	-
10:00	PL	Average Gross Wages	Mar	% y/y	5.6	5.4	-
THURSDAY (22 April)							
10:00	PL	Construction Output	Mar	% y/y	-10.3	-14.8	-
10:00	PL	Retail Sales Real	Mar	% y/y	9.9	9.2	-
13:45	EZ	ECB Main Refinancing Rate	Apr/21	%	0.0	-	0.0
14:30	US	Initial Jobless Claims		k	700.0	-	576
16:00	US	Existing Home Sales	Mar	% m/m	-0.8	-	-6.6
FRIDAY (23 April)							
09:30	DE	Germany Manufacturing PMI	Apr	pts	65.7	-	66.6
09:30	DE	Markit Germany Services PMI	Apr	pts	51.4	-	51.5
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	62.2	-	62.5
10:00	EZ	Eurozone Services PMI	Apr	pts	49.9	-	49.6
14:00	PL	M3 Money Supply	Mar	% y/y	14.0	14.5	-
16:00	US	New Home Sales	Mar	% m/m	12.0	-	-18.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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