

20 April 2021

Eyeopener

Some MPC members worried about inflation

Stock markets steady
Dollar weaker, zloty stable
MPC's Hardt and Gatnar worried about inflation
Bond yields higher
Today no important macroeconomic data

On Monday there were not so many important economic news, so the stock markets remained stable. In the meantime, the dollar weakened considerably (c.0.6%), which supported EM currencies. Bond yields in the core markets rose markedly: UST +4bp to 1.60%, Bund +5bp to -0.22%, and were followed by EM bonds, including Poland. Japanese balance of payments data for March saw the biggest export rise since 2017 (16.1% y/y), large part of which went to Asia (not only China). High export growth was partly the result of low base from 2020, but still it substantially exceeded analysts' expectations. It shows that the rebound in international trade is gaining pace. Housing prices in the UK rose in April by 2.1% m/m and 5.1% y/y.

MPC member Łukasz Hardt in an interview for Biznes TV that interest rates in Poland have been cut too much. Polish economy was entering the Covid-19 pandemic with already elevated inflation rate and Hardt would be "very careful" in treating the higher price growth as temporary. The rebounding GDP will be one of the factors pushing CPI higher. According to Hardt, the NBP should focus on managing inflation expectations. Communicating the wish to cut interest rates only makes the inflation expectations higher, and they are already too high. Another MPC member **Eugeniusz Gatnar** said in an interview with PAP (Polish Press Agency) that MPC should change the rhetoric and stop talking about interest rate cuts as soon as possible because this might result in lower MPC credibility which in turn might de-anchor inflation expectations. In 2H2021 interest rates should be increased by 10-15bp, while the reserve requirement ratio should be hiked already now. According to E. Gatnar the rationale for such changes are the economic and inflation outlook, as the CPI might soon break above 4% (we are expecting inflation to approach 4% in May). In our opinion, the voices of the monetary policy hawks will remain in minority and the interest rate changes are very unlikely during the current MPC term.

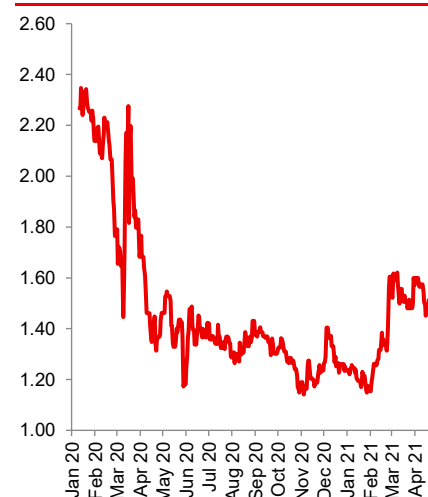
EURUSD rose on Monday quite a lot – to 1.203 (at some point hitting 1.205) from 1.197 at the start of the session. The 1.20 level was an important resistance and, when broken, triggered a large repurchase of EURUSD.

EURPLN moved marginally higher on Monday to 4.55. Technical indicators show EURPLN as oversold (i.e. the appreciation of the zloty has gone too far), which may make some investors expect weaker zloty going forward. Currently the exchange rate is in consolidation between 4.53 and 4.56 and breaching of any of these levels may lead to a significant move. USDPLN dropped to 3.78.

As for other CEE currencies, EURHUF decreased a bit and settled at the 100-day moving average (360.5). This week there are no important economic releases in Hungary, so the decreased volatility may hold until the Thursday ECB meeting. EURCZK was stable for another day (25.91). USDRUB rose by 0.6% and might have gone even higher, but was constrained by the rise of EURUSD. We expect the ruble to weaken in the medium term despite the likely rate hike by 25bp to 4.75% by CBR on Friday.

In the domestic interest rate market the Monday session seemed to be stable until mid-day. But in the afternoon investors started betting on interest rate rise, so 2Y IRS rose 2bp to 0.55% and 5Y by 3bp to 1.27%. Bond yields were rising accordingly: 5Y ended the day at 0.81% and 10Y at 1.51% - both tenors recorded daily increases by 3bp. 10Y ASW remained at -0.26% and spread against bond was 174bp.

10Y POLGB, %



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.5551	CZKPLN	0.1739
USDPLN	3.7799	HUFPLN*	1.2491
EURUSD	1.2050	RUBPLN	0.0497
CHFPLN	4.1289	NOKPLN	0.4568
GBPPLN	5.2860	DKKPLN	0.6125
USDCNY	6.4962	SEKPLN	0.4504

*for 100HUF

Last session in the FX market						19.04.2021
	min	max	open	close	fixing	
EURPLN	4.541	4.552	4.545	4.551	4.547	
USDPLN	3.772	3.803	3.800	3.784	3.782	
EURUSD	1.196	1.205	1.196	1.203	-	

Interest rate market

19.04.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.11	1
DS0725 (5Y)	0.83	3
DS1030 (10Y)	1.51	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	0	0.22	0	-0.53	1
2L	0.55	1	0.27	-1	-0.49	0
3L	0.80	1	0.46	0	-0.43	2
4L	1.06	2	0.68	0	-0.37	1
5L	1.27	2	0.90	0	-0.29	1
8L	1.61	2	1.38	2	-0.05	1
10L	1.77	1	1.57	2	0.10	2

WIBOR rates

Term	%	Change (bps)
O/N	0.10	-1
T/N	0.10	0
SW	0.10	0
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	0.22	1
6x9	0.24	0
9x12	0.34	-1
3x9	0.28	1
6x12	0.34	1

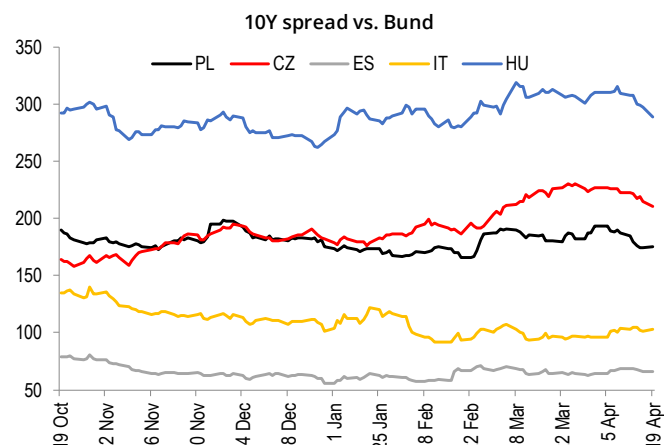
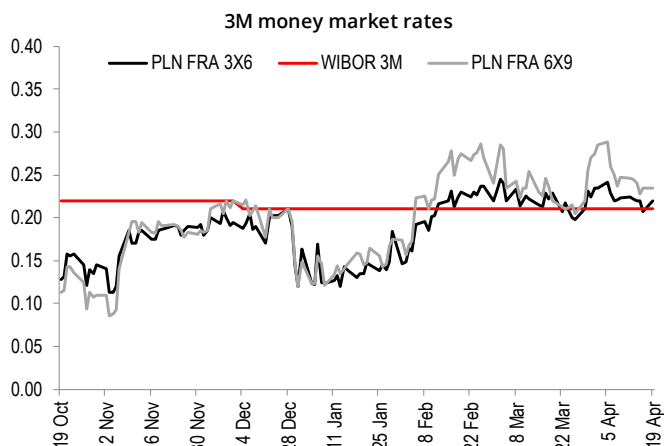
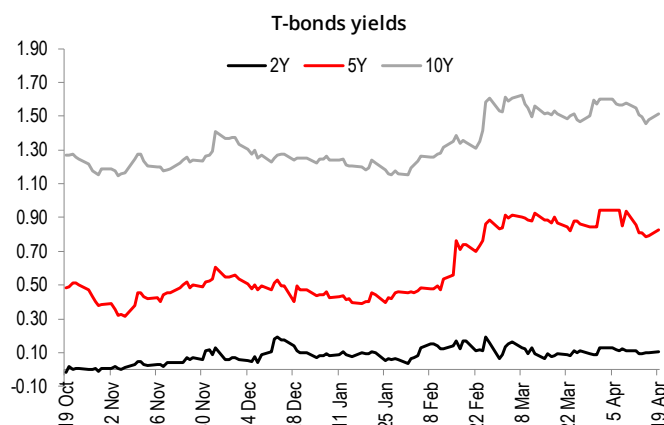
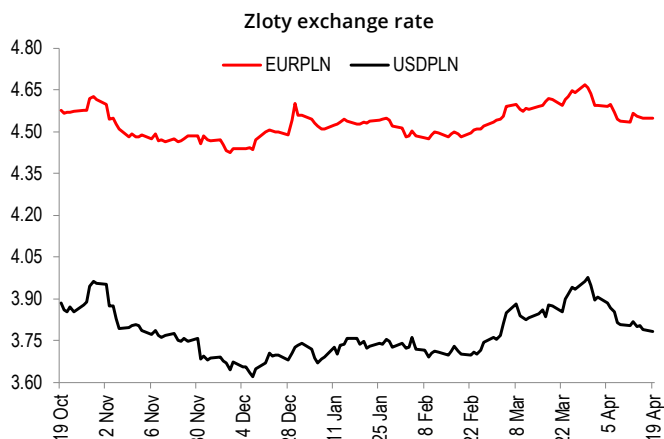
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	175	1
France	9	0	25	0
Hungary	64	0	289	-9
Spain	36	0	66	-1
Italy	50	0	103	1
Portugal	22	0	66	-1
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 (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	4.0	3.9
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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