

26 April 2021

Eyeopener

Market mood positive after PMI readings

New records of PMI indices in the US and the European manufacturing
 EURUSD is highest in 1.5 months, zloty stronger at the end of a not great week
 Polish bonds stronger despite stable core markets
 Today Germany IFO indices, in the US durable goods orders

On Friday markets quickly shrug off the negative mood from the previous evening triggered by the Joe Biden's plan of raising capital gains tax to 39.6%. The rebuilding of optimism was supported by the next set of surprisingly positive PMI data (flash indices for April), which set new highs in many categories. Additionally, US new home sales rose over 20% m/m in March. S&P500 ended the day with a gain of over 1%, 10Y bonds in the core markets remained unchanged, however, and only today in the morning Bund is opening weaker (-0.23%). EURUSD after reversing its evening decline increased further to 1.21 (highest since early March). President Andrzej Duda expressed his support for Adam Glapiński's candidacy for the second term as the NBP governor (the candidate still has to be approved by the parliament).

M3 money supply growth decreased to 14.4% y/y from 16.3% vs our estimate of 14.5% and market consensus at 14.0%. A year earlier, in March 2020, the pandemic (and the large rate cuts) triggered high demand for cash which now causes the annual growth rate of this part of M3 to drop quickly (in March 2021 from 37.7% y/y to 25.3%). Total deposit growth also decreased somewhat (10.1% y/y vs 10.8% previously). FX-adjusted credit data showed a significant decline in the value of company loans, -9.4% y/y against -6.6% previously. Household loans growth was stable around 2.5% y/y. PLN-denominated consumer loans had a negative growth rate for six months running while loans related to credit cards and overdrafts were decreasing y/y for a year now. PLN-denominated mortgage loans are still growing but their decreasing growth rate is already at the lowest level in 12 years.

EURUSD received a positive impulse from PMI indexes setting new record for i.a. US services and manufacturing, Eurozone industry (while Eurozone services index climbed above the neutral threshold of 50 pts). The exchange rate faces many important data releases this week, including Eurozone and German inflation, first readings of US and German 1Q GDP. In our view the data should support the fx rate above 1.20.

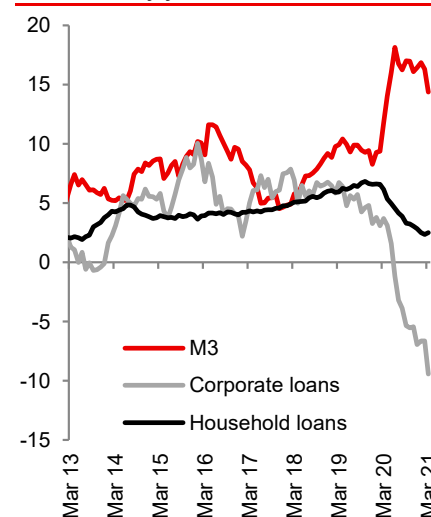
EURPLN withdrew down by 0.01PLN at the end of a poor week for the zloty. The exchange rate is stuck between two important technical levels 4.54 and 4.57. An unsuccessful test of the lower level, which may take place if the flash inflation number surprises to the upside, would confirm the continuation of the medium-term upward trend of EURPLN. USDPLN late on Friday set the past week's low, getting below 3.77, while 24h earlier it was still around 3.80.

As for the other CEE currencies, As regards other CEE currencies: it is worth noting a major ruble strengthening. USDRUB fell below 75 – by almost 2.5% in two days. The Russian currency was supported by information that Russian troops will be withdrawn from borders back to bases. EURCZK also went down (below 25.9 which was tested for the last 1,5 days) and EURHUF, but we would not say that it has already left the upward trend valid since mid-April.

On the Polish interest rate market On the domestic interest rate market Polish bond yields managed to go down in the belly of the curve (5Y: -1bp to 0.84%) and somewhat in the longer end despite upward trend on US yields (5Y +2bp to 0.83%, 10Y +2bp to 1.58%) and stable German securities. Polish bonds remained resilient even though the Finance Ministry satiated the demand during the auction. The Ministry sold bonds worth PLN7.79bn amid demand at PLN8.32bn rising the coverage of 2021 gross borrowing needs to 65%. Bid-to-cover ratio for 5Y securities amounted to 1.077 and 1.032 for 10Y papers. The state-owned bank BGK rescheduled its auction of FPC0328, FPC0733 and FPC1140 bonds to 28 from 27 April. Offer is to amount to PLN1bn at least.

This week we will get to see Poland's flash inflation in April. Our forecast and market consensus both point to CPI rise to 3.8% y/y. Any upward surprises from the data, after the recent series of strong publications, would fuel market speculation about rising inflationary pressure in the coming months. Abroad the economic calendar is packed with events: we will see some business climate indicators (Ifo, ESI, Conference Board), flash inflation numbers for April (Germany, euro zone), first 1Q GDP readings (Germany, Czechia, US). There are also central bank meetings in the agenda: in the US, Japan, Sweden, Hungary. The week will end with the meeting of the European Court of Justice, which will answer several questions that may be important for Polish FX loans issue. The ECJ ruling may affect later decisions of Polish Supreme Court.

Money supply and value of loans (fx-corrected), % y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.5519	CZKPLN	0.1760
USDPLN	3.7630	HUFPLN*	1.2426
EURUSD	1.2101	RUBPLN	0.0502
CHFPLN	4.1168	NOKPLN	0.4536
GBPPLN	5.2280	DKKPLN	0.6121
USDCNY	6.4913	SEKPLN	0.4488

*for 100HUF

Last session in the FX market 23/04/2021

	min	max	open	close	fixing
EURPLN	4.555	4.570	4.564	4.559	4.565
USDPLN	3.774	3.801	3.795	3.779	3.786
EURUSD	1.202	1.208	1.203	1.207	-

Interest rate market 23/04/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.12	0
DS0725 (5Y)	0.86	-7
DS1030 (10Y)	1.57	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	-1	0.21	-1	-0.54	0
2L	0.56	-2	0.28	1	-0.48	1
3L	0.84	-2	0.46	1	-0.43	1
4L	1.09	-3	0.69	2	-0.37	1
5L	1.30	-3	0.90	3	-0.29	2
8L	1.64	-3	1.36	2	-0.06	2
10L	1.80	-3	1.55	2	0.08	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	0.24	0
1Y	0.25	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.21	0
3x6	0.21	-1
6x9	0.23	-1
9x12	0.34	-1
3x9	0.25	0
6x12	0.34	0

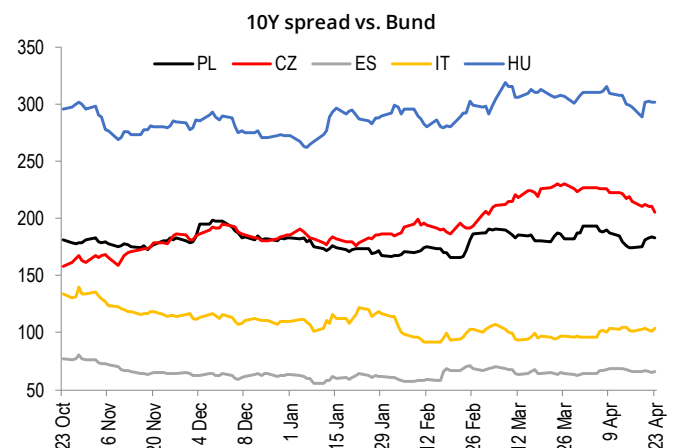
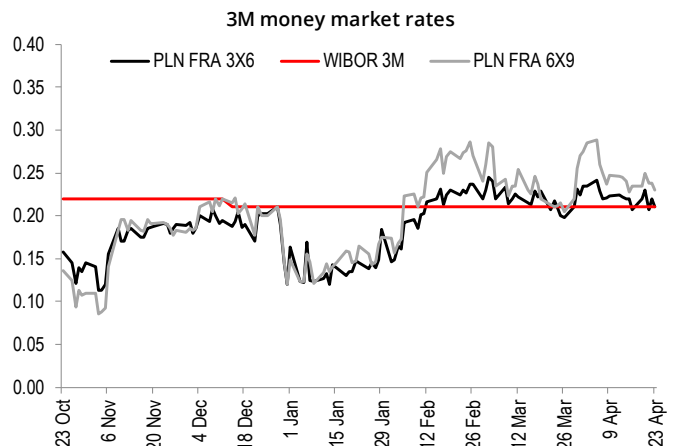
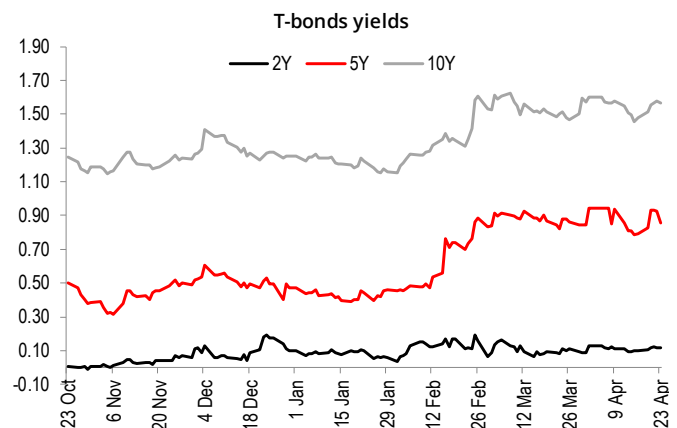
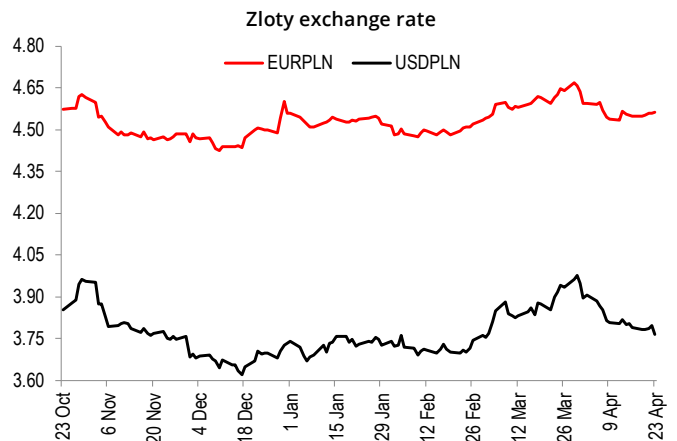
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	183	-1
France	10	0	25	0
Hungary	64	0	302	0
Spain	34	0	66	1
Italy	49	2	104	3
Portugal	22	0	66	0
Ireland	10	0	37	-1
Germany	9	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 (23 April)							
09:30	DE	Germany Manufacturing PMI	Apr	pts	65.8	66.4	66.6
09:30	DE	Markit Germany Services PMI	Apr	pts	51.0	50.1	51.5
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	62.0	63.3	62.5
10:00	EZ	Eurozone Services PMI	Apr	pts	49.1	50.3	49.6
14:00	PL	Money Supply M3	Mar	% y/y	14.1	14.5	14.4
16:00	US	New Home Sales	Mar	% m/m	14.2	20.7	-16.2
MONDAY (26 April)							
10:00	DE	IFO Business Climate	Apr	pts	98.0	-	96.6
10:00	PL	Unemployment Rate	Mar	%	6.4	6.3	-
14:30	US	Durable Goods Orders	Mar	% m/m	2.0	-	-1.2
TUESDAY (27 April)							
14:00	HU	Central Bank Rate Decision	Apr/21	%	0.6	-	0.6
16:00	US	Consumer Conference Board	Apr	pts	111.7	-	109.7
WEDNESDAY (28 April)							
20:00	US	FOMC decision	Apr/21	%	0.25	-	0.25
THURSDAY (29 April)							
	PL	ECJ ruling on Polish FX mortgage loans					
11:00	EZ	ESI	Apr	pct.	102.0	-	100.9
14:00	DE	HICP	Apr	% m/m	0.5	-	0.5
14:30	US	GDP Annualized	1Q	% q/q	6.1	-	4.3
14:30	US	Initial Jobless Claims		k	610	-	576
16:00	US	Pending Home Sales	Mar	% m/m	4.0	-	-10.62
FRIDAY (30 April)							
09:00	CZ	GDP SA	1Q	% y/y	-2.7	-	-4.8
10:00	PL	CPI	Apr	% y/y	3.8	3.8	-
10:00	DE	GDP WDA	1Q	% y/y	0.0	-	-3.7
11:00	EZ	Flash HICP	Apr	% y/y	1.5	-	1.3
11:00	EZ	GDP SA	1Q	% y/y	-2.1	-	-4.9
11:00	EZ	Unemployment Rate	Mar	%	8.4	-	8.3
14:30	US	Personal Spending	Mar	% m/m	4.0	-	-1.0
14:30	US	Personal Income	Mar	% m/m	20.0	-	-7.1
14:30	US	PCE Deflator SA	Mar	% m/m	0.5	-	0.2
16:00	US	Michigan index	Apr	pts	88.2	-	86.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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