

28 April 2021

Eyeopener

Zloty weaker before FOMC

Low volatility as markets await the FOMC
EURUSD waits for a signal below 1.21, EURPLN tests the 4.57 level
POLGBs slightly stronger, US yields higher
Today the FOMC meeting

On Tuesday there were no significant moves at the global stock markets (flat in the USA, slightly down in Germany). Core market bonds remained stable during the day and EURUSD stabilised below 1.21. In the USA the Conference Board index rose more than expected and reached the highest level since the pandemic started. Case Shiller real estate index climbed to a high level. The German government improved its GDP growth forecast for this year to 3.0% from 3.5% based on an assumption for a stronger rebound in private consumption after loosening of restrictions. Growth in 2022 is expected at 3.6%. The imminent FOMC meeting (today in the evening) decreased the market volatility, only in the evening the 10Y UST yield rebounded somewhat (1.64%).

The government approved the bill on EU own means and informed about deal with Lewica on spending additional EU funds (Recovery Plan). This reduced the short-term political risk for the zloty, but still did not mitigate the tensions within the ruling coalition, which undermine its parliament majority.

MPC's Jerzy Żyżyński thinks that in autumn, with positive economic and pandemic developments, it might be possible for NBP to end bond purchases. It is quite a surprising statement, as the Polish QE's effectiveness is based on its open endedness (with respect to size and time frame). For comparison, some ECB members think the bank should start pulling out of the anti-pandemic part of its QE in 3Q21 – i.e. to start reducing net purchases (limited in size and time – PEPP net purchases are to end by March 2022). If NBP acts as suggested by Żyżyński it would be ahead of many other central banks with monetary policy normalisation, with a potential effect of higher yield spreads of Polish bonds and an appreciation of the zloty. In turn, **Grażyna Ancyparowicz** repeated a view that was present in the last MPC statement and in governor Adam Glapiński's interviews that the current rise of inflation in Poland is out of the reach of monetary policy instruments. In her view, in these circumstances a rate hike would be counterproductive, possibly stimulating inflation via higher cost of capital. She thinks rate hikes are out of question in this MPC term and in general should be preceded by reserve requirement rate hike to the pre-pandemic level. In our view the MPC will start normalising monetary policy only in 2H22, after the replacement of most members and after appointment of a new governor.

EURUSD started and ended the day at 1.207. Decline below 1.205 would mean that the pair left the upward trend valid since three weeks. As it did not happen, it seems that the rate is awaiting a new signal to go up further (e.g. postponement of issue of QE purchases tapering).

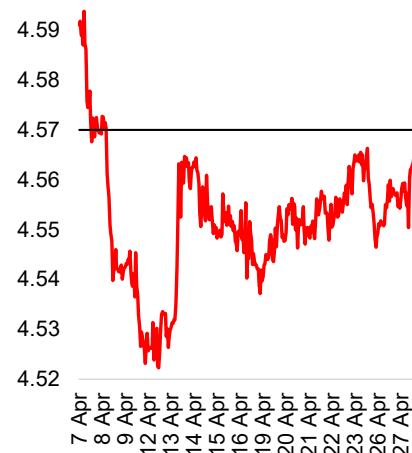
EURPLN after opening near 4.56 moved higher in the second part of the day, above 4.57, i.e. to its highest level since April 8, despite positive surprises from economic data. The level 4.57 has been tested already twice in recent weeks; this is the level at which the 50-day moving average is currently (so far it acted as a resistance). This time the test may result in effective breaking of the level due to uncertainty ahead of the Thursday's ECJ ruling regarding FX mortgage loans and the looming further decisions of the Polish Supreme Court in the first half of May, but also due to accelerating rise in US Treasury yields.

As for the other CEE currencies, the Czech koruna weakened (EURCZK up to 25.94 from 25.84). Vojtech Benda from the Czech central bank suggested that the bank's forecasts pointing to a necessity to hike rates three times should not be treated as a benchmark and the actual tightening should be less pronounced given pandemic-driven uncertainty. The Hungarian central bank (MNB) did not change its rates, in line with market expectations (main rate at 0.60%), and it has increased its QE programme by HUF1trn to HUF3F3trn. Before the meeting the forint was clearly underperforming CEE peers, but it was supported by the MNB decision (EURHUF down to 362.6 from 363.6). USDRUB remained close to 74.9 for the second day in a row.

On the Polish interest rate market bond yields gained somewhat (5Y by 3bp, 10Y by 1bp), while core markets remained in low volatility mode from the previous day. Only after the end of the day 10Y UST yield climbed above 1.59% (+2bp since the Monday close). IRS market also did not change much – the longer end went up by 1bp. Yesterday state-owned BGK bank sold Covid-19 bonds worth PLN3.11bn amid demand at PLN3.26bn.

Today the government is to present schedule of restriction easing for May.

EURPLN



Source: Refinitiv, Santander

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FX market

Today's opening

EURPLN	4.5690	CZKPLN	0.1758
USDPLN	3.7880	HUFPLN*	1.2600
EURUSD	1.2063	RUBPLN	0.0506
CHFPLN	4.1274	NOKPLN	0.4564
GBPPLN	5.2519	DKKPLN	0.6142
USDCNY	6.4861	SEKPLN	0.4509

*for 100HUF

Last session in the FX market

27.04.2021

	min	max	open	close	fixing
EURPLN	4.549	4.574	4.557	4.569	4.561
USDPLN	3.770	3.788	3.774	3.782	3.783
EURUSD	1.206	1.209	1.207	1.208	-

Interest rate market 27.04.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.10	1
DS0725 (5Y)	0.82	-3
DS1030 (10Y)	1.55	-1

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.26	0.22	-0.53
2L	0.57	0.29	-0.48
3L	0.85	0.48	-0.42
4L	1.11	0.73	-0.35
5L	1.32	0.95	-0.28
8L	1.66	1.41	-0.04
10L	1.83	1.60	0.09

WIBOR rates

Term	%	Change (bps)
O/N	0.11	1
T/N	0.09	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	-1
9x12	0.36	-1
3x9	0.26	-1
6x12	0.34	0

Measures of fiscal risk

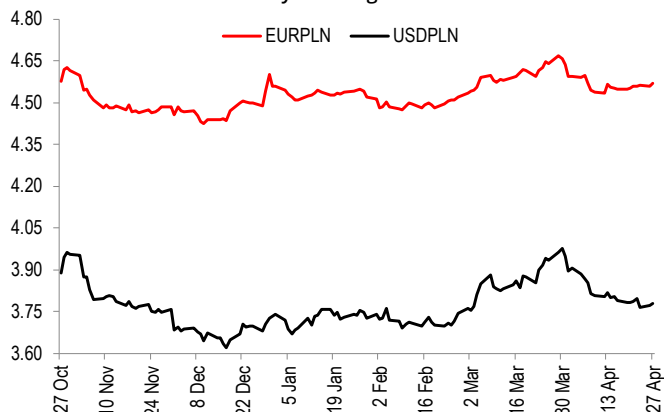
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	37	180
France	10	25
Hungary	64	301
Spain	35	67
Italy	51	108
Portugal	22	67
Ireland	10	37
Germany	9	-

* 10Y treasury bonds over 10Y Bunds

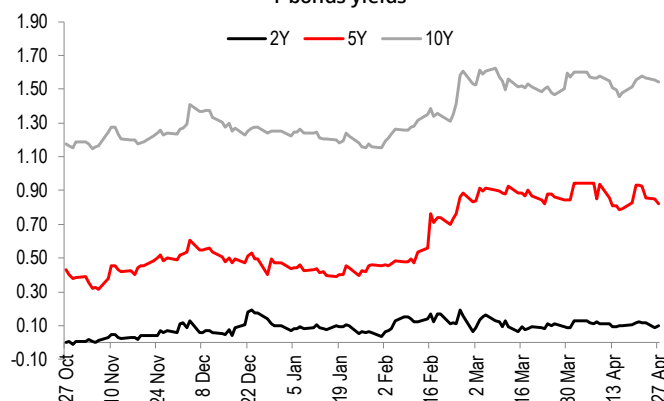
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

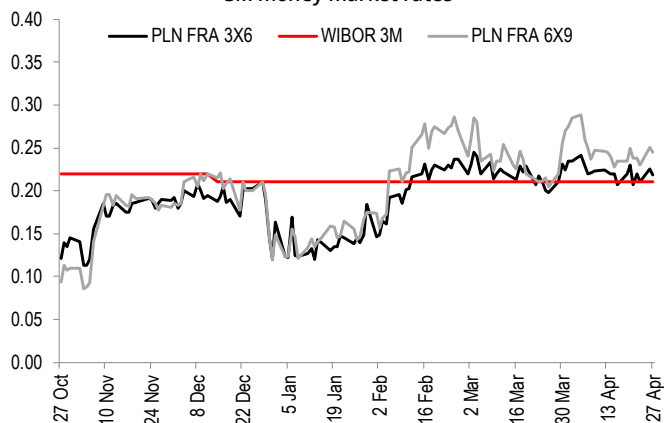
Zloty exchange rate



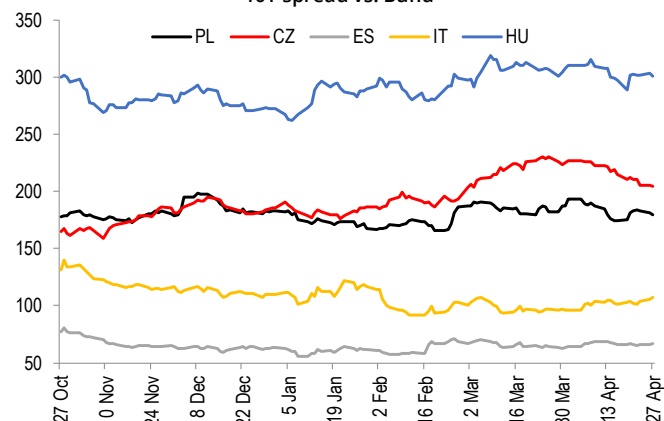
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

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	16.3
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		96.8	96.6
10:00	PL	Unemployment Rate	Mar	%	6.4	6.4	6.4	6.5
14:30	US	Durable Goods Orders	Mar	% m/m	2.0		0.5	-0.9
TUESDAY (27 April)								
14:00	HU	Central Bank Rate Decision	Apr/21	%	0.6		0.6	0.6
16:00	US	Consumer Conference Board	Apr	pts	111.7		121.7	109.0
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	-	3.2
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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