

Eyeopener

Fed not mulling tapering yet

FOMC sees economic recovery, however not yet the cut to QE
 Polish government eases restriction in May
 Zloty weakens more than its peers, POLGB stable before NBP purchase auction
 Today ECJ ruling on Polish FX loans, 1Q US GDP first estimate, German inflation

Lower market volatility was visible already on Tuesday, in anticipation of the FOMC decision and Jerome Powell's speech, and a similar situation took place on Wednesday. Bond yields in the core markets resumed slow increases (UST temporarily at 1.65%). Despite this, EURUSD was still looking for possibility to top 1.210 (it breached this level after the FOMC meeting and reached 1.215). The key issue for markets from the yesterday's FOMC meeting (at which main policy parameters remained unchanged: main rate at 0.0%-0.25%, policy bias, QE programme, economic forecasts) was whether the bank is ready to start the discussion about tapering its asset purchase programme. Fed president said the economic recovery is far from its end, even though it is proceeding faster than expected, and more over it is uneven. In his view, inflation rise is temporary and results from (1) base effects and (2) disruptions in supply chains.

In the speech before the joint chambers of US Congress the US president Joe Biden was trying to convince the MPs to his new investment programme worth USD1.8bn, which will cover spending on education and childcare and tax reductions for low and middle income families.

The plan for restriction easing assumes opening of: sports venues and beauty salons on 1 May, shopping galleries and DIY stores on 4 May, hotels on 8 May, restaurants (outside) on 15 May, cinemas and fitness clubs on 29 May. During the month also stationary schooling will be resumed. In mid-May, outside masks regime could be mildened, provided that new infections go down. Earlier we suggested that prolongation of lockdown into May would make us mull downward revision of economic growth. This plan dispels these fears, especially given reopening of retail trade at the start of the month.

EURUSD approached 1.21 during the day, only to pull back to the opening level of 1.208. The US evening events caused a more significant move of the exchange rate, to 1.213.

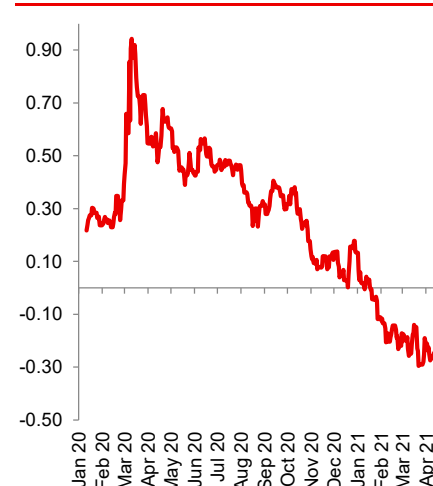
EURPLN which started the week slightly above 4.55, went yesterday above 4.59 for a brief period. Despite some decline late in the session, the exchange rate finished the day PLN0.015 higher. USDPLN went up to 3.805, setting this week's new high. The zloty underperformed CEE peers and its weakness despite the rise of EURUSD suggests that negative local factors are at play. In our view this recent PLN weakness may be linked to today's ECJ ruling on FX loans.

As for **the other CEE currencies**, the Czech koruna got weaker but less than the zloty. EURCZK was back to the level from early Tuesday (25.95). EURHUF extended the fall from the previous session to below 362.0. USDRUB was stable this week, but yesterday it started to decline slightly (to 74.5), together with Brent oil going up to US\$67/barrel.

On the Polish interest rate market there was a slight steepening of the yield curve (2Y yield remained on hold, 10Y increased by 3bp to 1.57%). Meanwhile, IRS rates moved up slightly (2Y and 5Y by 1bp to 0.59% and 1.33%; 10Y by 2bp to 1.85%). As a result, the asset swap spread for 10Y tenor remains near its lowest level on record, -0.29% (this minimum was established during the last month). 10Y Bund yield increased clearly during the day, temporarily to -0.21%. 10Y UST yield rose another 2bp to 1.65%. In reaction to the FOMC decision and statement and Joe Biden's speech core markets responded with yields declining by 2-3bp.

Today at 9:30 The European Court of Justice will start its considerations regarding a few questions important for the Polish FX loans. The ECJ ruling is likely to affect further decisions of the Polish Supreme Court.

PLN 10Y asset swap spread (%)



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5830	CZKPLN	0.1767
USDPLN	3.7805	HUFPLN*	1.2653
EURUSD	1.2121	RUBPLN	0.0508
CHFPLN	4.1499	NOKPLN	0.4615
GBPPLN	5.2757	DKKPLN	0.6163
USDCNY	6.4730	SEKPLN	0.4529

*for 100HUF

Last session in the FX market						28/04/2021
	min	max	open	close	fixing	
EURPLN	4.565	4.593	4.568	4.584	4.581	
USDPLN	3.782	3.807	3.784	3.789	3.794	
EURUSD	1.205	1.210	1.207	1.210	-	

Interest rate market 28/04/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.10	0
DS0725 (5Y)	0.83	1
DS1030 (10Y)	1.59	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.27	1	0.21	0	-0.53	0
2L	0.59	2	0.28	-1	-0.47	1
3L	0.87	2	0.47	-1	-0.42	0
4L	1.13	2	0.71	-2	-0.35	0
5L	1.34	1	0.93	-1	-0.27	1
8L	1.70	4	1.41	0	-0.03	1
10L	1.87	3	1.60	0	0.10	1

WIBOR rates

Term	%	Change (bps)
O/N	0.11	0
T/N	0.10	1
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	0.22	1
3x6	0.23	1
6x9	0.26	2
9x12	0.38	2
3x9	0.28	2
6x12	0.37	2

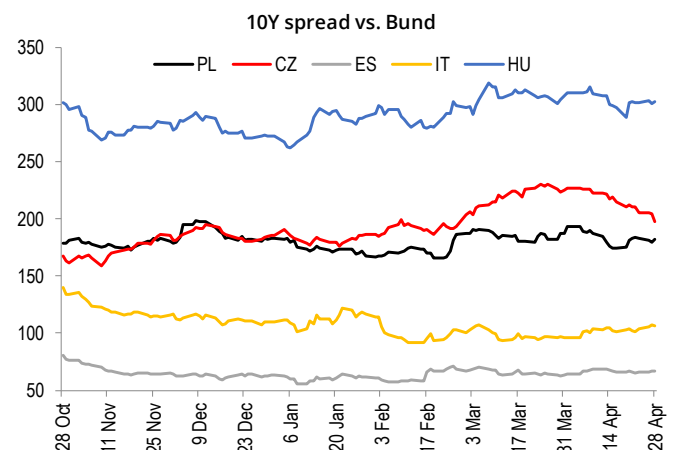
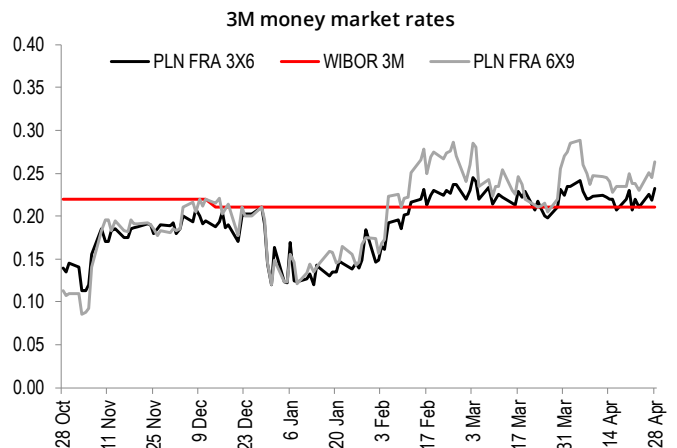
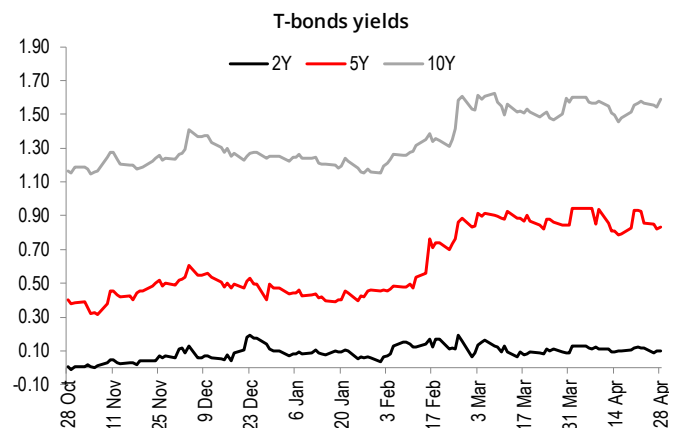
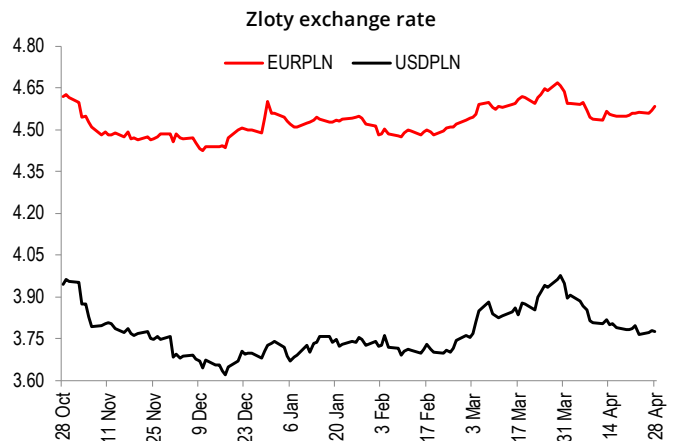
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	182	3
France	10	0	25	0
Hungary	64	0	302	1
Spain	35	0	67	0
Italy	50	-1	106	-1
Portugal	22	0	68	1
Ireland	11	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 (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	96.8	96.6
10:00	PL	Unemployment Rate	Mar	%	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	-
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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