

Eyeopener

Higher yields have not helped the dollar

ESI indices for the EU countries noticeably higher and much better than forecast
Zloty slightly stronger

Strong yield increases in Poland and abroad

Today preliminary CPI in Poland and in Eurozone, German and Eurozone Q1 advance GDPs

Yesterday's major rise in bond yield was the main event of the day: 10Y Treasuries jumped temporarily by 10bp (but by 3bp at the end of the day), Bund by 5bp (eventually by 2bp) and Polish papers by almost 10bp and despite NBP's second purchase of bonds. Higher yields were supported by new reflation signals, e.g. higher than expected CPI inflation in Germany and Spain. In 1Q21 the weakening US bonds were accompanied by stronger dollar. This effect did not materialise this time – EURUSD broke 1.21 in the first half of the day and remained above this level until the end of the session. It seems that high ESI indicators for Europe and relatively high GDP in the USA in 1Q21 were enough to spark a strong risk appetite. Today we will get more inflation (euro zone, Poland) and GDP numbers (Germany and euro zone).

The ECJ ruling on FX loans was interpreted as positive for creditors, at least by equity investors (bank's shares up by more than 4%). However, the Court has passed on most issue to rule on to local courts and Polish Supreme Court. SC's meetings devoted to this matter are scheduled for 7 May (in lower court) and for 11 May (in full court).

April's ESI indicators for Poland have shown that the optimism in all sectors has already returned to its highest level since March 2020 (and in manufacturing even to its highest since mid-2019). Clear improvement was also seen in majority of sectoral sub-components, in particular all sectoral employment indicators are at their highest levels in at least one year, and in some sectors the measures of employee shortage started bottoming out. The clear improvement in the assessment of current production was accompanied by equally strong rebound in expected production and better assessment of new orders (the same applies to the current and future demand for services and activity in retail trade), which suggests that it is a more persistent change in economic climate. Indicators of price expectations also rose clearly in April and in industry they were at its 14-year high, in retail trade at 9-year high, in services and construction at one-year high. Investment plans of Polish firms for 2021 are still 6% lower vs 2020 (last time the question was asked in November 2020); EU average improved from 0% to +5%.

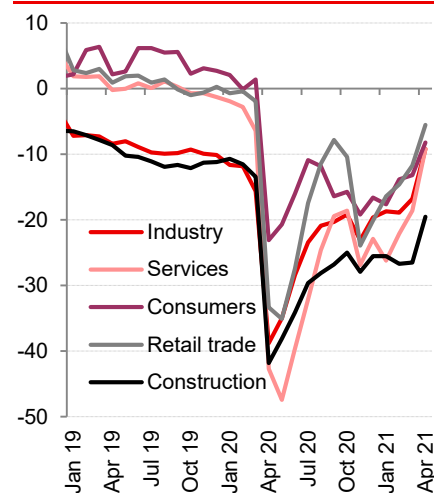
EURUSD remained above 1.21 throughout the session. It closed just above this level, but during the day it attempted to reach 1.215. The effect of two strong, but acting in the opposite factors: the upward trend of global bond yields and strong macroeconomic data is that the exchange rate may seek stabilisation near the current level.

EURPLN did not react with a fall to the ECJ ruling (which left many issues regarding FX loans to be settled by the Polish Supreme Court). Because of this the zloty may underperform regional currencies, even if risk environment turns out to be supportive. On the other hand, the relatively large QE operation by NBP did not prevent the zloty from reversing the Wednesday move (close at 4.57).

As for **the other CEE currencies**, the forint strengthened even faster than in the previous two days and stabilised only around 360.5. The Czech koruna appreciated to 25.85 vs the euro. With oil price going further up during the session, the ruble also strengthened (USDRUB went below 74.3, but this morning is around 74.5).

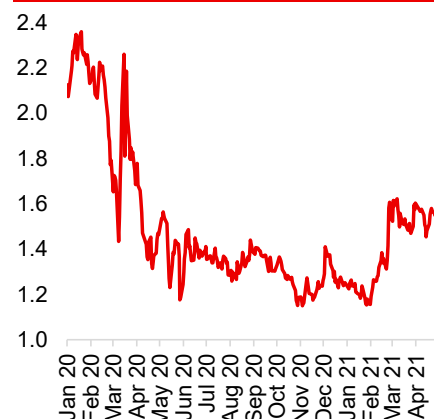
On the Polish interest rate market On the domestic interest rate market, bond yields were rising very quickly and the daily move of the 10Y part of the curve was c.10bp with 1.70% reached. A similar move was made by yields from the belly of the curve and their corresponding IRS rates. NBP conducted yesterday its second April QE operation and spent PLN5bn, but no relief on the bond market was seen. The rise of Polish bond yields was directionally in line with what was happening on core markets, but was more intensive. Inefficiency of the QE operation in stabilising the market is a challenge for the NBP (operational and for its communication – MPC meets next week). The market may be aided by today's Polish flash CPI print. We think the headline inflation will be in line with expectations, but its components will imply a pronounced decline of core inflation (in our view to 3.1% y/y from 3.9%), while in the preliminary data for the Eurozone countries core inflation was stable in April.

ESI, sectoral sentiment indicators for Poland



Source: European Commission, Santander

Polish 10Y government bond yield (%)



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.5677	CZKPLN	0.1762
USDPLN	3.7706	HUFPLN*	1.2680
EURUSD	1.2111	RUBPLN	0.0506
CHFPLN	4.1482	NOKPLN	0.4595
GBPPLN	5.2552	DKKPLN	0.6141
USDCNY	6.4706	SEKPLN	0.4495

*for 100HUF

Last session in the FX market						29/04/2021
	min	max	open	close	fixing	
EURPLN	4.561	4.587	4.577	4.568	4.578	
USDPLN	3.760	3.785	3.773	3.772	3.779	
EURUSD	1.210	1.214	1.213	1.211	-	

Interest rate market 29/04/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.17	7
DS0725 (5Y)	0.95	12
DS1030 (10Y)	1.70	11

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.28	1	0.21	0	-0.53	0
2L	0.62	4	0.29	1	-0.47	0
3L	0.94	6	0.48	1	-0.40	2
4L	1.21	9	0.73	2	-0.33	2
5L	1.43	10	0.95	2	-0.25	2
8L	1.81	10	1.43	2	0.00	2
10L	1.97	11	1.62	3	0.15	4

WIBOR rates

Term	%	Change (bps)
O/N	0.11	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	0.22	0
3x6	0.24	0
6x9	0.26	0
9x12	0.38	0
3x9	0.29	1
6x12	0.37	1

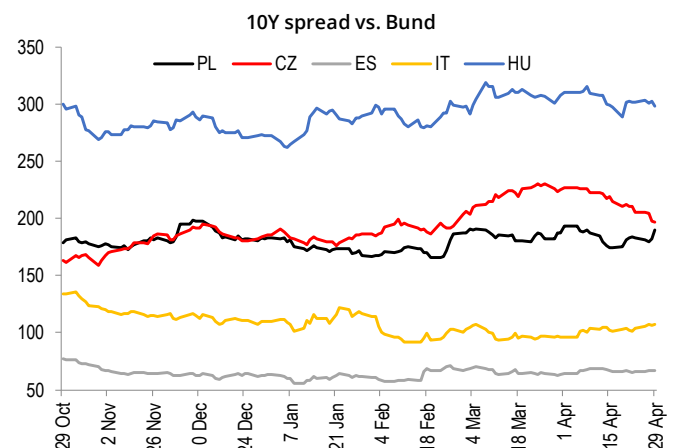
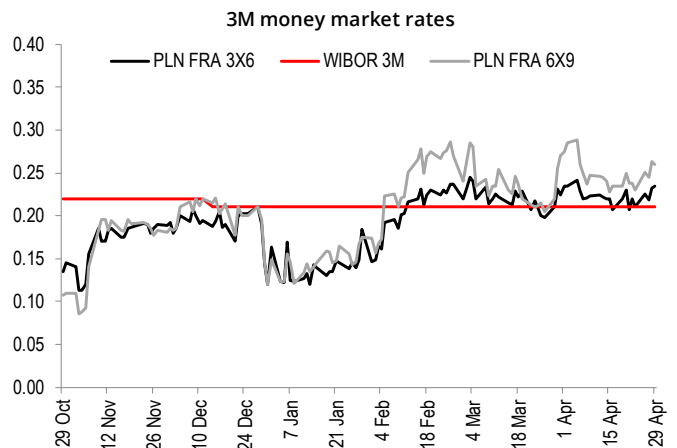
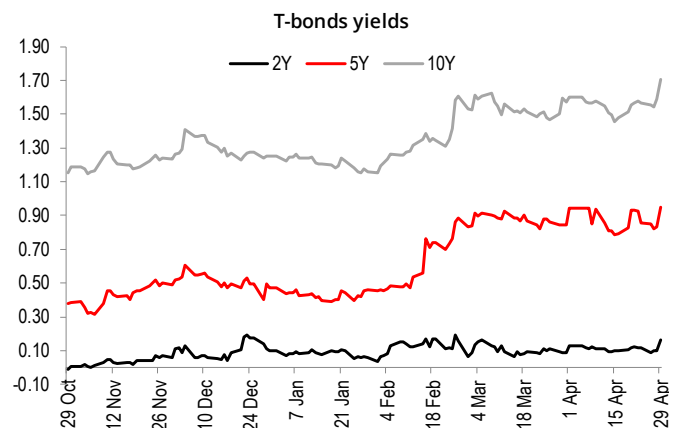
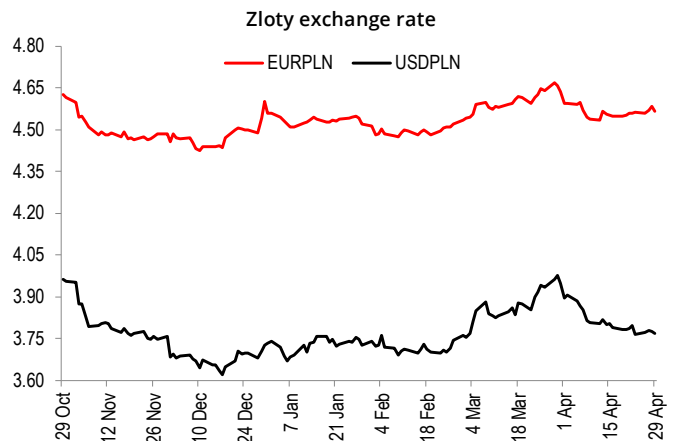
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	190	7
France	10	0	35	10
Hungary	64	0	298	-4
Spain	35	0	67	0
Italy	50	-1	107	1
Portugal	22	0	68	0
Ireland	11	0	37	0
Germany	9	1	-	-

* 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	110.3	100.9
14:00	DE	HICP	Apr	% m/m	0.5	0.5	0.5
14:30	US	GDP Annualized	1Q	% q/q	6.1	6.4	4.3
14:30	US	Initial Jobless Claims		k	610	553	566
16:00	US	Pending Home Sales	Mar	% m/m	4.0	1.9	-11.5
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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