

Eyeopener

Polish PMI met resistance

Stock markets down, bonds strengthened
 Polish PMI down m/m, supply issues highlighted
 Dollar gained, EURPLN up
 Today MPC meeting, services PMIs

On Tuesday global stock market indices flashed red (S&P500 -1%, but intraday even close to -2%) due to selloff in tech stocks (Nasdaq -2%). Not huge, but not seen for a long time, risk-off effect caused strengthening of bonds in the core markets (yields down by 4-5bp), for example Bund to -0.25%, UST to 1.56%. Dollar gained 0.4% and therefore it recovered from its Monday's weakening (unchanged vs. start of May), crude oil price rose – Brent by 1% to US\$65.1 p/b. It was the US Treasury Secretary Janet Yellen's speech that could have contributed to cooling investors' moods, as she mentioned the need to possibly raise interest rates to prevent economy from overheating. After the session close she added that she did not recommend rate hikes and did not think the stimulus programmes would overheat the economy – so it cannot be ruled out that the yesterday's moves will be reversed today. US trade deficit for March reached the record US\$74.4bn and Canada's trade balance returned to red – in both cases the change resulted from booming imports (consumer spending). Australian central bank (RBA) did not change interest rates but lifted its economic forecasts and announced the review of its QE program at its July meeting. In Poland the Sejm approved the bill ratifying the change in EU own resources, needed to launch the EU Recovery Program.

Polish manufacturing PMI decreased slightly in April to 53.7 from March's 54.3, below market consensus 55.3 and our forecast 55.0. The index remains in expansionary zone, but the details reveal that production and new orders rise was moderate, being strongly limited by the disruptions in supply chains, shortage of components and workers, lengthening of delivery times. In response to staff shortage firms increased hiring. The survey reveals the record increase of cost inflation and record hikes of finished goods prices. While the export orders were booming, it was offset by weakening domestic orders, according to the report, so the total increase was moderate. Overall, the April's PMI suggests that the industrial production expansion may slow a bit, while inflationary pressure should continue building. Nevertheless, the April's industrial output data will surely look spectacular due to the extremely low base effect: market consensus is at 44% y/y and our forecast only slightly lower (43.6%).

The **NBP's quarterly credit survey** shown a softening of loan criteria for households in 1Q21, their stabilisation for SMEs and tightening for big firms (due to restrictions and risks related to their activities related to the pandemic). In 2Q21 banks expect keeping the loans availability unchanged for big companies and relaxing it for other groups. Demand for corporate loans have not shown a rebound yet – banks expect it in 2Q. Households' demand for mortgage loans remained in a strong upward trend and is expected to grow further. Rising demand for financing of durable goods purchases caused improvement in demand for consumer loans and in this category more improvement is predicted.

EURUSD fell by 0.4% to 1.20 – its lowest level since 23 April. The continuation of decline is possible and the nearest important support is at 1.195.

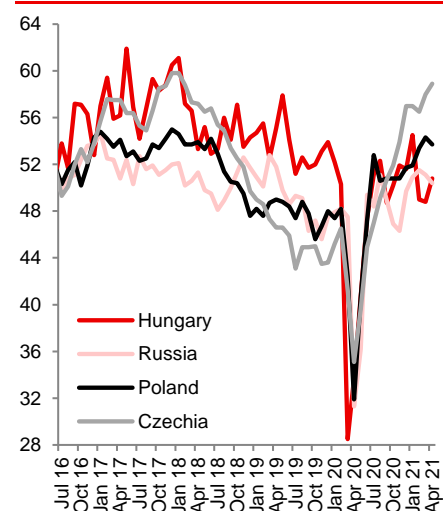
EURPLN rose 0.4% to 4.558, thus cancelling all its decline from 3 May. The reason for zloty weakening was external (falling equities, stronger dollar). The zloty may see a more notable move on Friday, when the Supreme Court meeting is planned and the NBP Governor will hold his videoconference, at which he may refer to the latest high inflation print (CPI in April rose to 4.3%, well above the NBP target of 2.5% y/y +/-1pp).

Among **other CEE currencies**, EURHUF rose 0.3% to 360.2, EURCZK similarly by 0.3% to 25.87. The ruble basket was stable and USDRUB increased slightly and is currently near 75.0. April's manufacturing PMI in Russia was lower than expected (50.4 vs. 51.5).

On the Polish **fixed income market**, IRS rates were following bond yields on core markets – the whole curve moved down by 5bp (e.g. 5Y to 1.385%, 10Y to 1.92%). The correction was also seen on POLGBs – their yields also declined, but by less, e.g. 10Y by 2-3bp to 1.68%. Asset swap spread rose to -0.25% and Bund spread to 192bp. The Ministry of Finance informed that at the switch auction on Thursday, 6 May, it will be buying PS0422, OK0521, PS0721, DS1021 and selling fixed coupon bonds OK0423, PS1026, DS1030 and floaters WZ1126, WZ1131.

In our view the **MPC statement following the meeting held today** (and then NBP governor Adam Glapiński at his video conference scheduled Friday at 1500CET) will keep the dovish tone despite surprisingly strong print of April flash CPI. The willingness to keep rates unchanged until the end of the term is also likely to be repeated. It will be important how the Council addresses its QE programme amid a new wave of global yields rise.

Manufacturing PMIs in CEE region



Source: Markit, Santander

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FX market

Today's opening			
EURPLN	4.5535	CZKPLN	0.1759
USDPLN	3.7906	HUFPLN*	1.2656
EURUSD	1.2010	RUBPLN	0.0507
CHFPLN	4.1484	NOKPLN	0.4551
GBPPLN	5.2684	DKKPLN	0.6122
USDCNY	6.4730	SEKPLN	0.4467

*for 100HUF

Last session in the FX market						04/05/2021
	min	max	open	close	fixing	
EURPLN	4.537	4.563	4.543	4.559	4.554	
USDPLN	3.769	3.802	3.773	3.795	3.794	
EURUSD	1.200	1.204	1.204	1.201	-	

Interest rate market 04/05/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.13	2
DS0725 (5Y)	0.92	-2
DS1030 (10Y)	1.68	-3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.27	-2	0.21	0	-0.54	0
2L	0.60	-3	0.28	0	-0.49	-1
3L	0.91	-3	0.45	-1	-0.43	-2
4L	1.17	-5	0.68	-1	-0.36	-2
5L	1.39	-5	0.90	-1	-0.28	-2
8L	1.75	-6	1.38	-1	-0.04	-3
10L	1.92	-5	1.57	-2	0.10	-4

WIBOR rates

Term	%	Change (bps)
O/N	0.11	2
T/N	0.10	0
SW	0.11	1
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	0.28	-2
9x12	0.36	-6
3x9	0.30	-1
6x12	0.38	-2

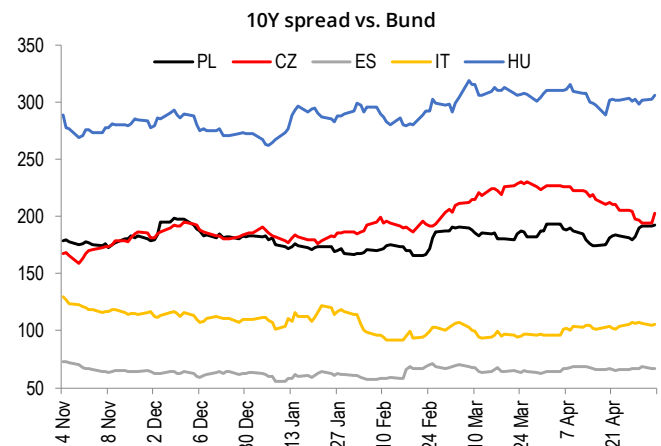
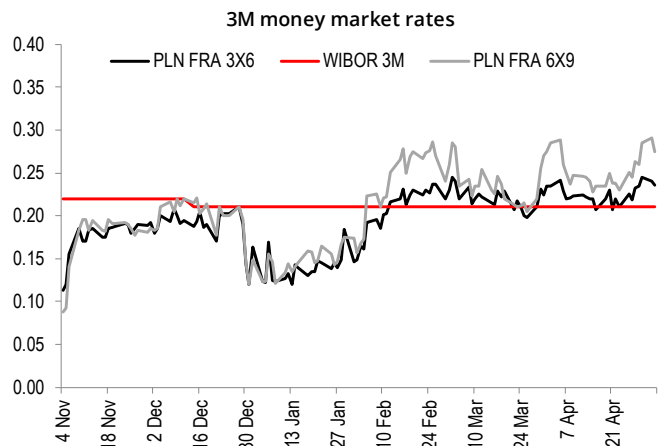
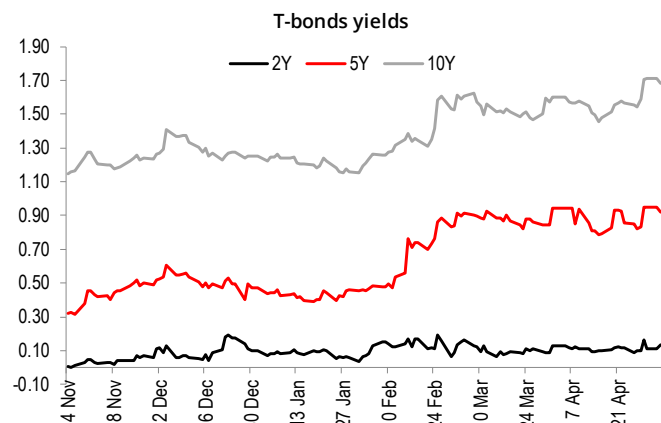
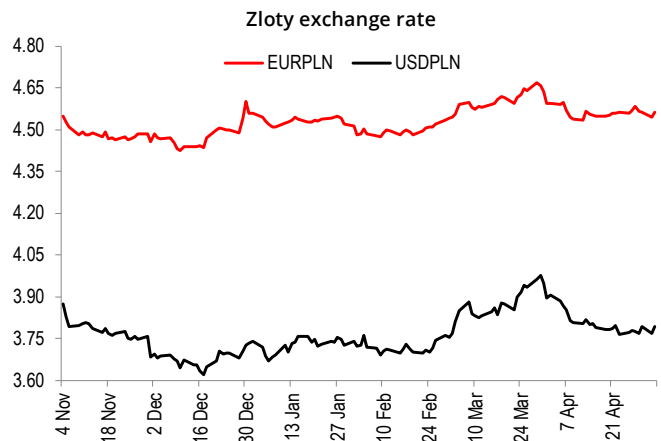
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	192	0
France	10	0	36	0
Hungary	64	0	306	3
Spain	35	0	67	0
Italy	50	1	106	1
Portugal	23	1	68	0
Ireland	11	0	40	1
Germany	8	-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 (30 April)								
09:00	CZ	GDP SA	1Q	% y/y	-2.6		-2.1	-4.8
10:00	PL	CPI	Apr	% y/y	3.9	3.8	4.3	3.2
10:00	DE	GDP WDA	1Q	% y/y	-3.2		-3.0	-3.7
11:00	EZ	Flash HICP	Apr	% y/y	1.6		1.6	1.3
11:00	EZ	GDP SA	1Q	% y/y	-2.0		-1.8	-4.9
11:00	EZ	Unemployment Rate	Mar	%	8.3		8.1	8.3
14:30	US	Personal Spending	Mar	% m/m	4.1		4.2	-1.0
14:30	US	Personal Income	Mar	% m/m	20.3		21.1	-7.1
14:30	US	PCE Deflator SA	Mar	% m/m	0.5		0.5	0.2
16:00	US	Michigan index	Apr	pts	87.5		88.3	86.5
MONDAY (3 May)								
08:00	DE	Retail Sales	Mar	% m/m	3.3		7.7	2.7
09:55	DE	Germany Manufacturing PMI	Apr	pts	66.4		66.2	66.6
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	63.3		62.9	62.5
16:00	US	ISM manufacturing	Apr	pts	65.0		60.7	64.7
TUESDAY (4 May)								
09:00	PL	Poland Manufacturing PMI	Apr	pts	55.3	55.0	-	54.3
16:00	US	Durable Goods Orders	Mar	% m/m	0.0		-	0.5
16:00	US	Factory Orders	Mar	% m/m	1.6		1,1	-0.5
WEDNESDAY (5 May)								
	PL	MPC decision		%	0.1	0.1	-	0.1
09:55	DE	Markit Germany Services PMI	Apr	pts	50.1		-	50.1
10:00	EZ	Eurozone Services PMI	Apr	pts	50.3		-	50.3
14:15	US	ADP report	Apr	k	825.0		-	516.8
16:00	US	ISM services	Apr	pts	64.0		-	63.7
THURSDAY (6 May)								
08:00	DE	Factory Orders	Mar	% m/m	1.5		-	1.2
09:00	HU	Industrial Production SA	Mar	% y/y	0.0		-	3.9
11:00	EZ	Retail Sales	Mar	% m/m	1.0		-	3.0
14:30	US	Initial Jobless Claims		k	540.0		-	547.0
14:30	CZ	Central Bank Rate Decision	May/21		0.25		-	0.25
FRIDAY (7 May)								
03:45	CN	Caixin China PMI Services	Apr	pts	54.3		-	54.3
08:00	DE	Exports SA	Mar	% m/m	0.5		-	1.0
08:00	DE	Industrial Production SA	Mar	% m/m	2.5		-	-1.6
09:00	CZ	Industrial Production	Mar	% y/y	13.1		-	-2.6
14:30	US	Change in Nonfarm Payrolls	Apr	k	950.0		-	916.0
14:30	US	Unemployment Rate	Apr	%	5.8		-	6.0

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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