

Eyeopener

MPC's tough deliberations

Record late MPC decision, but interest rates unchanged
 Financial markets gradually reversing Tuesday's moves
 Polish bonds slightly stronger, EURUSD slightly lower
 Today, Czech central bank decision, Hungarian production

On Wednesday the stock markets were gradually reversing their Tuesday's declines, but the main stock indices did not manage to recover fully by the end of the day. The earlier drop in bond yields was also reversing, but without much speed: 10Y UST yields were above 1.60% for most of the day, German Bunds returned to -0.20%. Crude oil price extended its upward move, lasting since the start of the week, which has already reached 5%. The new data coming from the USA (ADP report with lower than expected employment rise, slight decline of services ISM) and from Europe (services PMI for Germany fell below 50 due to restrictions) triggered a reflection on the market after the earlier wave of strong and optimistic readings.

Polish Monetary Policy Council kept interest rates on hold, as expected. The decision announcement was record late, at 17:30CET, for the first time ever already after the market close, which could suggest that the discussion about the policy outlook intensified after the recent streak of upward surprises from economic data (rebounding activity, much higher inflation). However, the official [MPC statement](#) did not change significantly as compared to the previous month. The Council still believes that inflation jump is temporary and driven mainly by exogenous factors, and will most likely recede next year. But at the same time the MPC deleted the last paragraph saying that "NBP's monetary policy mitigates the negative economic impact of the pandemic, supports economic activity and stabilises inflation at the level consistent with the NBP's inflation target in the medium term." It looks like the Council realised the increasingly pro-cyclical nature of its policy, but the statement includes no more hints about possible change in monetary policy bias. It will be probably the NBP Governor's videoconference on Friday (15:00CET) that will reveal more on the policy outlook. We expect to hear the repeated mantra that the most likely scenario is interest rate stability until the end of the MPC's term. But it cannot be ruled out that the general tone of the speech will tilt towards less dovish.

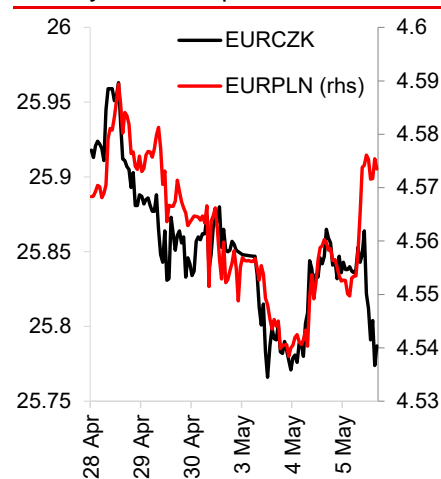
EURUSD crossed 1.20 several times yesterday even though one day before it was only approaching this level without even trying to breach it. We think that the ease of breaking through 1.20 suggests the continuation of decline in the coming days, possibly to the next technical support at 1.195.

EURPLN overnight (from Tuesday to Wednesday) fell to almost 4.54 but starting Wednesday morning started energetic upward march finishing the day above 4.58. The zloty weakness extended as the markets were awaiting the MPC rate decision. As opposed to a day before, the EURPLN move was a result of local factors while the forint and koruna strengthened.

Other CEE currencies took advantage of the positive moods on the global markets and gained. EURCZK moved back to 25.8 - the Tuesday opening level, while EURHUF moved to 359.2. Today is the CNB (Czech National Bank) meeting which on the one hand seems to be willing to start the normalization process of the monetary policy more than other CEE peers, on the other hand lately has tried to calm down the market expectations in this regard. USDRUB remained above 75.0 and its stability throughout the day did not match the increasing oil prices.

On the **domestic interest rate market**, 10Y bond yield and 10Y IRS fell some more, but only by c.2bp. This happened despite some rebound of yields on core markets. Other parts of the Polish yield curve were even more stable. Today there is a switch auction with PS0422, OK0521, PS0721, DS1021 series to be bought and OK0423, PS1026, DS1030, WZ1126, WZ1131 to be sold.

The zloty and koruna performance



Source: Refinitiv, Santander

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FX market

Today's opening

EURPLN	4.5761	CZKPLN	0.1771
USDPLN	3.8118	HUFPLN*	1.2750
EURUSD	1.2006	RUBPLN	0.0510
CHFPLN	4.1723	NOKPLN	0.4567
GBPPLN	5.3002	DKKPLN	0.6154
USDCNY	6.4795	SEKPLN	0.4489

*for 100HUF

Last session in the FX market 05/05/2021

	min	max	open	close	fixing
EURPLN	4.552	4.583	4.554	4.569	4.575
USDPLN	3.786	3.821	3.788	3.807	3.814
EURUSD	1.198	1.202	1.202	1.200	-

Interest rate market 05/05/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.13	0
DS0725 (5Y)	0.93	0
DS1030 (10Y)	1.69	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.28	1	0.20	-1	-0.53	1
2L	0.60	-1	0.27	-1	-0.48	1
3L	0.89	-2	0.44	-1	-0.43	0
4L	1.15	-2	0.66	-2	-0.37	-1
5L	1.37	-1	0.89	-2	-0.29	-1
8L	1.76	0	1.36	-2	-0.05	-1
10L	1.91	-1	1.55	-2	0.10	0

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-2
T/N	0.10	0
SW	0.11	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	0.29	2
9x12	0.38	3
3x9	0.26	-4
6x12	0.39	0

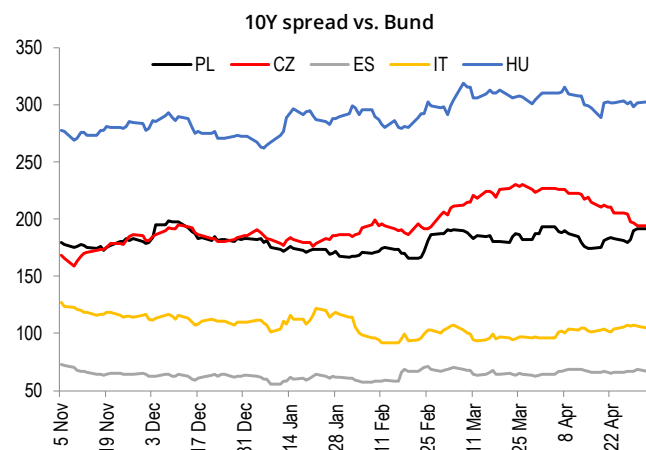
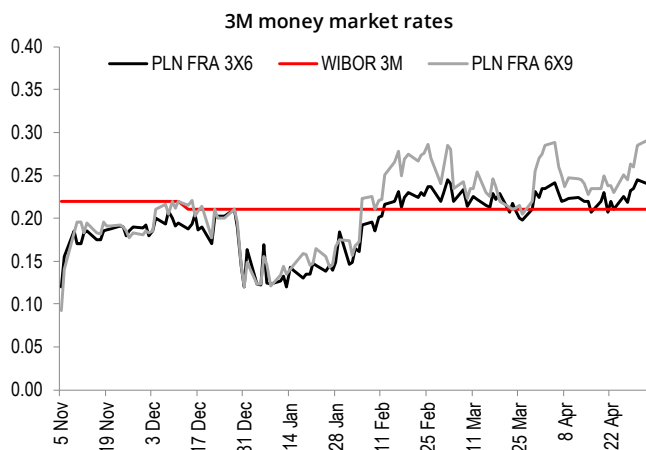
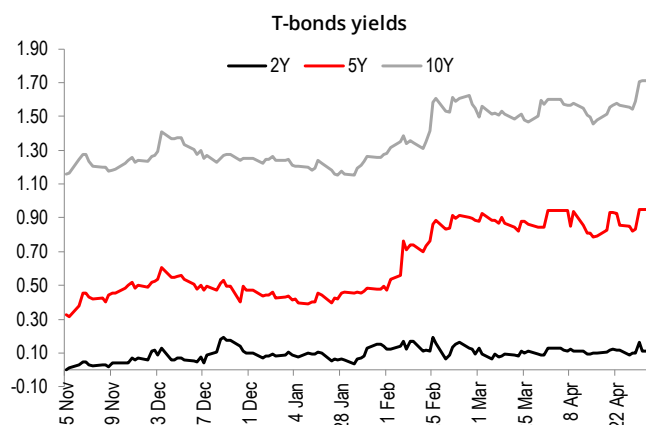
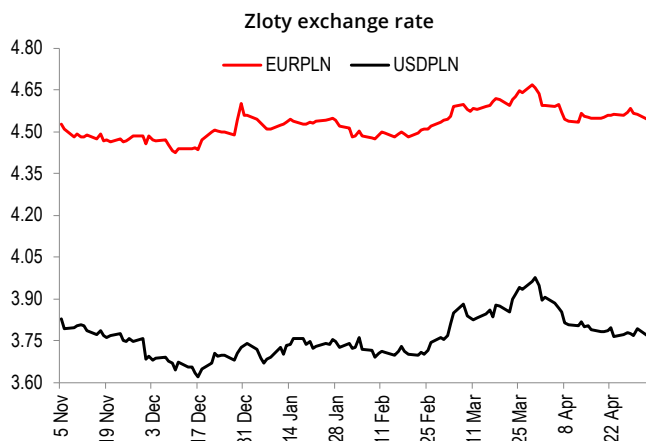
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	191	-1
France	10	0	37	1
Hungary	64	0	306	0
Spain	35	0	68	1
Italy	50	0	108	3
Portugal	23	0	69	1
Ireland	11	0	40	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 (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
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	-
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	-
09:55	DE	Markit Germany Services PMI	Apr	pts	50.1	49.9	51.5
10:00	EZ	Eurozone Services PMI	Apr	pts	50.3	50.5	49.6
14:15	US	ADP report	Apr	k	825.0	742.0	516.8
16:00	US	ISM services	Apr	pts	64.0	62.7	63.4
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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