

Eyeopener

NBP governor Glapinski's speech in the spotlight

Markets quiet on Thursday, volatility may return on Friday
 Dollar weaker, the second EURPLN trip towards 4.59 in the last two weeks
 Bond market and IRS rates stable
 Today Supreme Court ruling, NBP governor's speech, US labour market report

On Thursday market volatility was low, main stock indices have barely changed (slight declines around -0.2%), bond yields in the core markets were also quite stable (UST 1.58% +1bp, Bund -0.22% +1bp), the dollar lost vs the basket of developed market currencies c.0.3%. Only the evening news in the US media that the CIT tax hike may be lower than earlier suggested by Joe Biden has revived equity markets. Central bank meetings took place in the UK (announcement of slowdown of asset purchases, although the total QE value kept unchanged) and in Turkey (no policy changes). Economic data releases were still optimistic: March retail sales in the euro zone, industrial orders in Germany and weekly jobless claims in the US surprised positively. The reduced market volatility on Thursday could be the calm before the storm – today we will see numerous data releases abroad (most important: employment report in the USA) but also important events in Poland (Supreme Court ruling on FX loans, NBP governor videoconference), which may affect markets.

EURUSD increased by 0.6% to 1.2065 – such a significant move might be interpreted as the end to the mini-downward trend that started in late April near 1.215. In our opinion EURUSD will trade sideways in the days to come, however strong NFP reading today might support the USD.

EURPLN on Thursday alone increased by 0.3% to 4.58, while from this week's minimum (at 4.54) already by 0.9%. Temporarily the EURPLN traded at 4.59 which happens to be the April high - creating a "double top" formation. Hence if today NBP governor Adam Glapinski decides to sound more hawkish the EURPLN market is ready (from the technical analysis perspective) to correct lower. In case Glapinski retains the current rhetoric of stable interest rates until the end of MPC term and with the possible rise of local FX volatility due to the Supreme Court verdict today regarding FX loans, the zloty might continue to weaken towards 4.65 vs the euro.

As for the **other regional currencies**, EURHUF declined by a further 0.3% to 358.3 (month-to-date decline equals 0.5% already) as a result of much better than expected March retail sales and industrial production data. The EURHUF is currently testing a pretty significant support level. EURCZK temporarily during the day traded higher by 0.2% after the CNB (the central bank) has not changed interest rates while the March retail sales strongly disappointed. In the afternoon the CNB governor Jiri Rusnok presented fresh economic forecasts (2021 GDP forecast lowered to 1.2% from 2.2% while the 2021 CPI forecast increased to 2.7% from 2.5%) and the interest rate path - hikes roughly from the 2H21. He also acknowledged that the uncertainty regarding the start of the rate hiking phase declined however he refused to declare if the hikes would take place as early as in June. As a result EURCZK dropped to 25.7, by 0.3%. USDRUB has fallen month-to-date by 1% while on Thursday the declines accelerated. The move have not resulted only from the weaker dolar - the whole ruble basket declined and this despite worse than expected April services PMI (55.2 vs 56.0)

On the Polish **interest rate market** volatility was exceptionally small, IRS rates changed no more than +/- 1 bp (5Y at 1.37%, 10Y at 1.91%) and bonds no more than 3bp (10Y 1.69%). 10Y asset swap spread is currently at -0.22% and spread vs. Bund at 192bp. At the **bond switching auction** the Ministry of Finance bought back bonds worth PLN4.2bn (PS0422, OK0521, PS0721 and DS1021) and sold bonds worth PLN4.4bn (OK0423, PS1026, DS1030 plus floaters WZ1126, WZ1131). After the auction the MoF informed that this year's borrowing needs were covered in 67%.

Today the **Civil Chamber of the Supreme Court** (not in the full squad) is planned to meet and issue ruling on some issues related to FX loans. The full squad of the Chamber is planned to convene on similar issues on Tuesday, May 11. We think that anticipation of those events was one of the factors negative for the zloty, so the verdict(s) may increase volatility in the FX market. Today at 15:00 CET the **NBP President Adam** Glapiński will start his monthly videoconference. We expect to hear – as always – much broader commentary about the monetary policy outlook than was included in the MPC's post-meeting statement.

EURPLN Spot



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.5688	CZKPLN	0.1773
USDPLN	3.7880	HUFPLN*	1.2653
EURUSD	1.2063	RUBPLN	0.0510
CHFPLN	4.1713	NOKPLN	0.4560
GBPPLN	5.2677	DKKPLN	0.6141
USDCNY	6.4593	SEKPLN	0.4491

*for 100HUF

Last session in the FX market						06/05/2021
	min	max	open	close	fixing	
EURPLN	4.564	4.590	4.579	4.573	4.583	
USDPLN	3.790	3.815	3.814	3.795	3.807	
EURUSD	1.200	1.207	1.200	1.205	-	

Interest rate market 06/05/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.11	-3
DS0725 (5Y)	0.95	2
DS1030 (10Y)	1.69	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.29	1	0.20	-1	-0.53	0
2L	0.61	1	0.27	0	-0.48	0
3L	0.90	1	0.45	1	-0.42	1
4L	1.16	1	0.68	2	-0.36	1
5L	1.37	0	0.90	1	-0.28	1
8L	1.74	-2	1.36	0	-0.04	1
10L	1.91	0	1.55	0	0.11	1

WIBOR rates

Term	%	Change (bps)
O/N	0.11	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	0.21	-1
3x6	0.24	0
6x9	0.30	1
9x12	0.40	2
3x9	0.26	1
6x12	0.32	-7

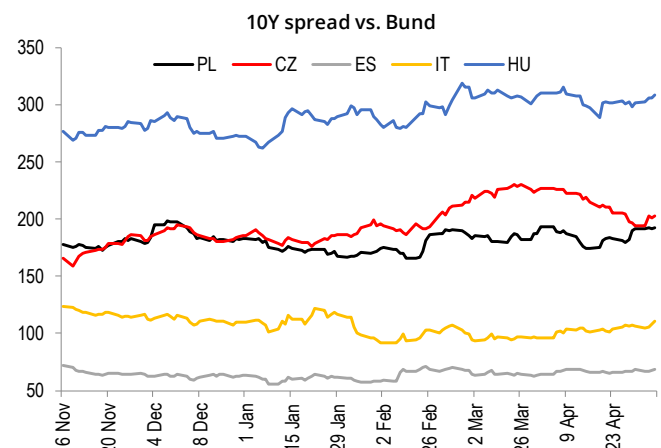
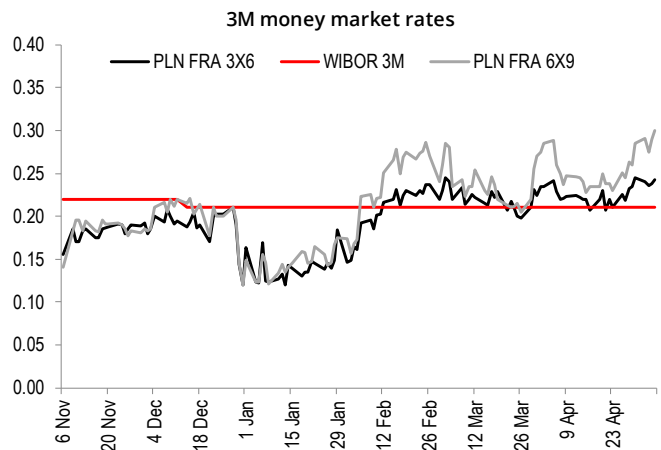
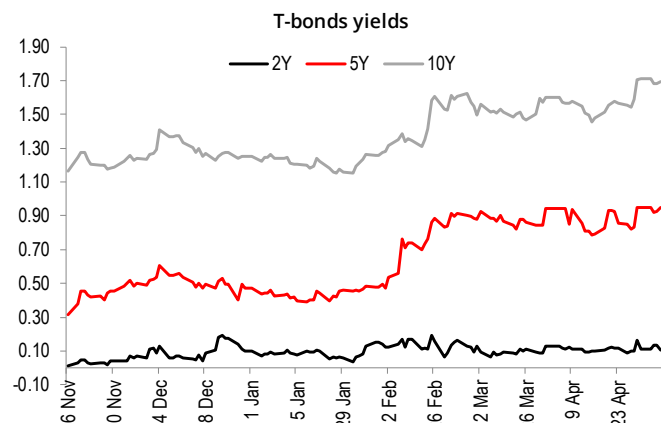
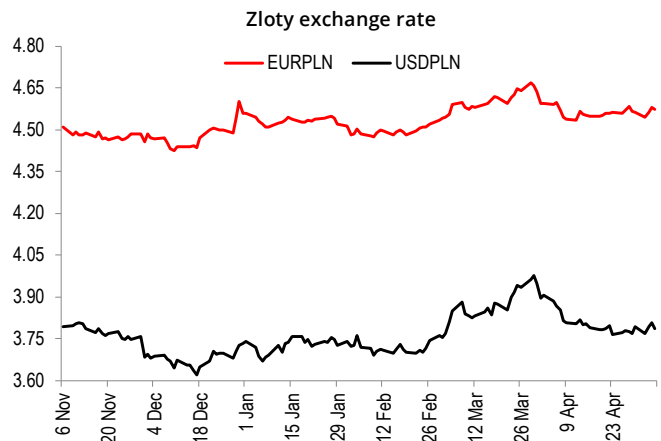
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	192	1
France	10	0	37	1
Hungary	64	0	308	2
Spain	35	0	69	1
Italy	51	1	111	2
Portugal	23	0	70	1
Ireland	11	0	41	1
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	3.0	1.2
09:00	HU	Industrial Production SA	Mar	% y/y	15.2	16.2	3.9
11:00	EZ	Retail Sales	Mar	% m/m	1.6	2.7	3.0
14:30	US	Initial Jobless Claims		k	538.0	498.0	553.0
14:30	CZ	Central Bank Rate Decision	May/21		0.25	0.25	0.25
FRIDAY (7 May)							
	PL	Civil Chamber of the Supreme Court ruling on some issues regarding FX loans					
03:45	CN	Caixin China PMI Services	Apr	pts	54.3	56.3	54.3
08:00	DE	Exports SA	Mar	% m/m	0.5	1.2	1.0
08:00	DE	Industrial Production SA	Mar	% m/m	2.5	2.5	-1.9
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
	PL	Videoconference of NBP governor Adam Glapiński					

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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