

Eyeopener

Markets under impact of US data

End of the week under influence of US labour market data
 EURPLN lower after the Supreme Court ruling
 Bond market and IRS rates stable
 Today BGK bond auction, no important data

On Friday the main event that affected the global markets was US non-farm payrolls data, which disappointed badly (266k vs expected 1m). As a result, the dollar weakened, while core markets bonds were gaining (Bund -1bp to -0.23%, UST -4bp to 1.53%). The US tech stock index Nasdaq and in general US equities returned to upward trend. In China in April the services PMI index improved to 56.3, well above expectations, and foreign trade data were also above forecast (export accelerated to 32.3%). German export also beat expectations in March, while industrial production did not cope so well.

The **videoconference of NBP governor** on Friday brought a puzzling message: on one hand, Glapiński said that the change in the MPC press statement on Wednesday was absolutely meaningless and by no means signalled a change in policy bias. He also maintained his earlier claim that higher inflation is purely the effect of exogenous factors and will be transitory. On the other hand, Glapiński had withdrawn from many of his earlier claims, and he replaced the previous confidence that monetary policy will remain unchanged for long with the much more nuanced and conditional message. NBP head emphasised that the central bank will not fall behind the curve and if needed it will not hesitate to start policy tightening. He said his earlier claim about most likely rates stability until the end of MPC's term of office was "a kind of joke", although he still sees it as the most likely scenario. He suggested that the start of policy tightening may start somewhere in mid-2022, and that rate hikes must be preceded by the end of QE purchases (earlier he claimed that QE programme may be alive "forever"). The change of the ECB approach would be a very important factor for the NBP in this regard. Glapiński also said there are no plans for further FX interventions and the central bank does not target FX rate at all. Overall, the message from the central bank (despite the official denial) tilted from very dovish towards more neutral and data-driven. However, we still think that any discussion about rate hikes before the election of the NBP governor for the next term (June 2022) is quite unlikely.

EURUSD spiked by 0.8% after the weaker-than-expected non-farm payrolls (NFP) in the US to 1.215. The US CPI for April which will be published on Wednesday is another important data which might influence the EURUSD.

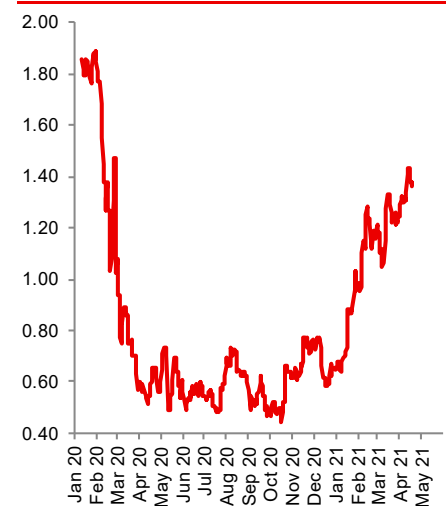
On Friday **EURPLN** was volatile, as we expected. After opening near 4.57 was gradually increasing in the first half of the day and reached 4.585 (+0.4%) as markets were awaiting the Supreme High Court ruling early afternoon. After the ruling the EURPLN declined only modestly towards 4.575. In the second part of the session the fall accelerated after the weak NFP data and closed near 4.55 (-0.4% below the opening). Now for EURPLN all eyes are on Tuesday's Supreme Court ruling (in full court).

Other CEE currencies have been gaining due to weaker dollar. EURHUF declined by 0.3% to 357.3, while the MTD decline stands at 0.8% already. EURCZK also fell by 0.3%, while in MTD terms by almost 1%. March trade balance data both in Hungary and Czech beat expectations. USDRUB also declined significantly - by 0.7% despite cheapening oil. MTD decline stands at 1.9%.

On the domestic interest rate, looking at the total daily move it seemed trading was stable - FRA markets did not change (e.g. 9x12 still at 0.40%) and so were IRS contracts (2Y at 0.61%, 5Y at 1.37%, only 10Y decreased by 1bp to 1.89%). However the intraday volatility was quite high. For example, the 5Y IRS saw a panic drop to 1.30% after the poor US labour market data, but then rebounded to 1.37%. Its rebound was counterintuitive given the global context of falling yields.

Today there will be the first of the two **auctions by BGK** scheduled for May with PLN1bn+ of longer-dated bonds. This year BGK has already issued more than PLN14bn of Covid bonds out of the PLN33bn plan.

5Y PLN IRS



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.5488	CZKPLN	0.1772
USDPLN	3.7433	HUFPLN*	1.2779
EURUSD	1.2157	RUBPLN	0.0507
CHFPLN	4.1520	NOKPLN	0.4561
GBPPLN	5.2581	DKKPLN	0.6118
USDCNY	6.4262	SEKPLN	0.4499

*for 100HUF

Last session in the FX market						07.05.2021
	min	max	open	close	fixing	
EURPLN	4.546	4.587	4.569	4.553	4.576	
USDPLN	3.742	3.800	3.786	3.743	3.786	
EURUSD	1.205	1.217	1.206	1.216	-	

Interest rate market 07.05.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.12	1
DS0725 (5Y)	0.95	0
DS1030 (10Y)	1.69	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.29	0	0.19	0	-0.53	0
2L	0.60	-1	0.25	-2	-0.48	0
3L	0.90	0	0.42	-3	-0.42	0
4L	1.15	-1	0.65	-4	-0.34	2
5L	1.36	-1	0.87	-3	-0.27	1
8L	1.72	-2	1.35	0	-0.03	1
10L	1.88	-3	1.55	0	0.12	1

WIBOR rates

Term	%	Change (bps)
O/N	0.11	0
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	0.23	1
3x6	0.25	1
6x9	0.30	0
9x12	0.41	1
3x9	0.31	5
6x12	0.40	8

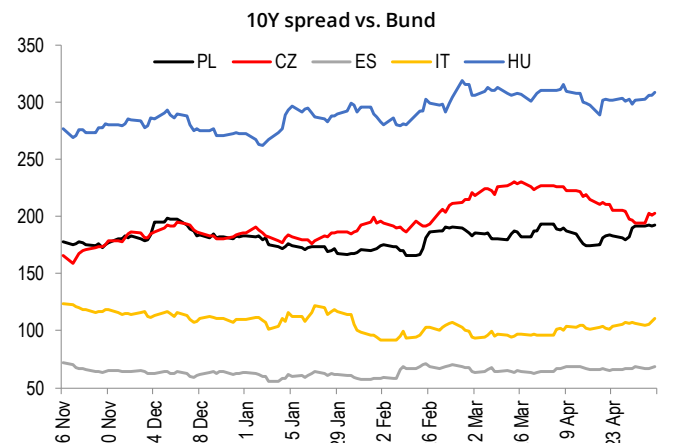
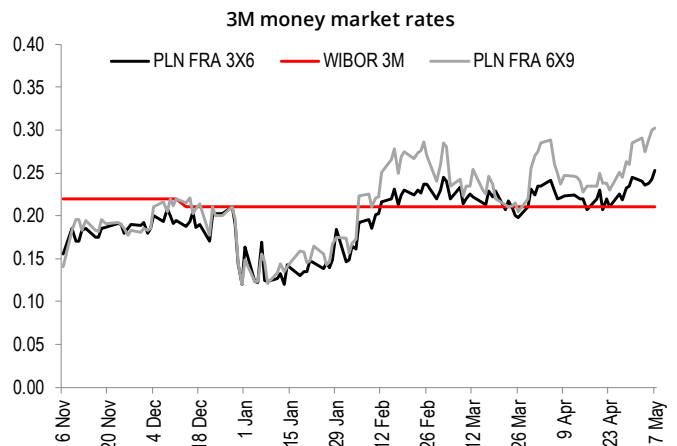
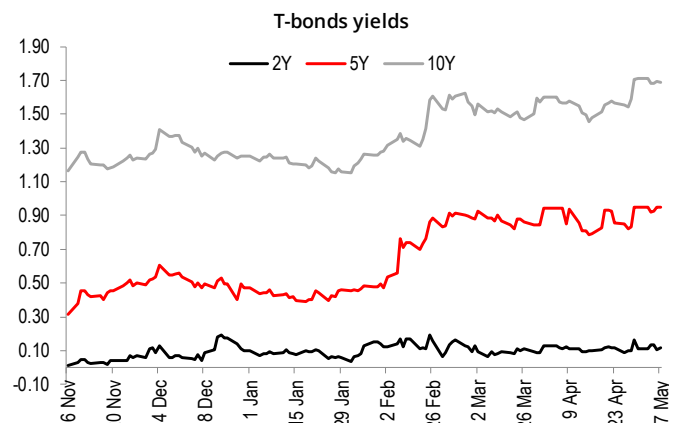
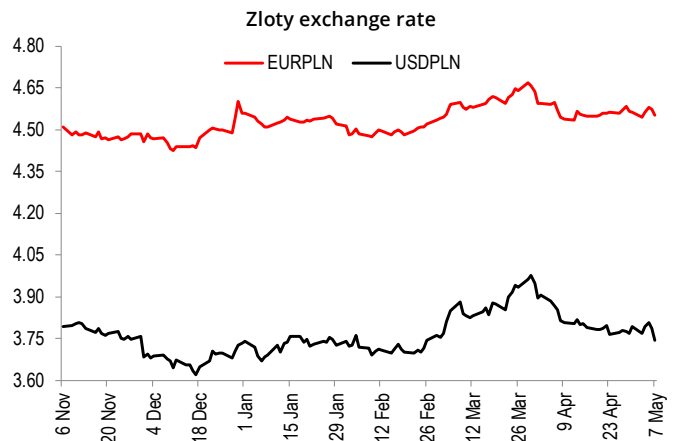
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	192	1
France	11	0	37	1
Hungary	64	0	308	2
Spain	36	1	69	1
Italy	52	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 (7 May)								
03:45	CN	Caixin China PMI Services	Apr	pts	54.2	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	2.2	2.5	-1.6	
09:00	CZ	Industrial Production	Mar	% y/y	12.1	18.2	-2.6	
14:30	US	Change in Nonfarm Payrolls	Apr	k	997.5	266.0	916.0	
14:30	US	Unemployment Rate	Apr	%	5.8	6.1	6.0	
TUESDAY (11 May)								
09:00	CZ	CPI	Apr	% y/y	2.8	-	2.3	
09:00	HU	CPI	Apr	% y/y	4.8	-	3.7	
11:00	DE	ZEW Survey Current Situation	May	pts	-40.0	-	-48.8	
WEDNESDAY (12 May)								
08:00	DE	HICP	Apr	% m/m	0.5	-	0.5	
11:00	EZ	Industrial Production SA	Mar	% m/m	1.0	-	-1.0	
14:30	US	CPI	Apr	% m/m	0.2	-	0.6	
THURSDAY (13 May)								
14:30	US	Initial Jobless Claims		k		-	498.0	
FRIDAY (14 May)								
10:00	PL	CPI	Apr	% y/y	4.3	4.3	-	4.3
10:00	PL	GDP	1Q	% y/y	-1.3	-0.5	-	-2.8
14:00	PL	Current Account Balance	Mar	€mn	1589.0	1654.0	-	1619.0
14:00	PL	Trade Balance	Mar	€mn	930.0	1017.0	-	883.0
14:00	PL	Exports	Mar	€mn	24161.0	24642.0	-	21322.0
14:00	PL	Imports	Mar	€mn	23064.0	23625.0	-	20439.0
14:30	US	Retail Sales Advance	Apr	% m/m	1.1	-	9.8	
15:15	US	Industrial Production	Apr	% m/m	1.3	-	1.4	
16:00	US	Michigan index	May	pts	90.1	-	88.3	

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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