

## Eyeopener

### Waiting for the Supreme Court

Stable equity and core bonds  
 Numerous comments of Polish central bankers  
 EURPLN slightly higher, EURUSD stable  
 IRS market stable, bonds lose in the middle of the curve  
 Today CPI in Hungary and Czechia, ZEW in Germany, Supreme Court in Poland

On Wednesday the US inflation data will be released, but already on Monday markets seemed to be very interested in the subject: industrial metals' prices increased notably, precious metals were also up, the 10Y expected inflation derived from bond prices soared by another 3bp to 2.53%, prices of tech stocks, sensitive to higher inflation and higher interest rates declined by c1.5%, while the main stock indices did not change much. The dollar index was stable and 10Y UST yield was hovering in range 1.56%-1.60%. Bund was stable near -0.21%. There were not many economic data releases on Monday – European index of investors' sentiment Sentix rose above forecast to the highest level since 2018. Chinese inflation released this morning was slightly lower than expected but still remains in upward trend. Chinese PPI, however, was higher than expected.

MPC member **Grażyna Ancyparowicz** said that if there are changes in the Polish monetary policy, they will spell the end of QE. Another member **Eryk Łon** said that in his view inflation surge is temporary and is to some degree based on external factors. He sees core inflation falling, which means that there is no inflationary pressure. And this leads him to state that there is no need to change interest rates before the end of the MPC term – it will be up to the next council to decide what to do about inflation. **Eugeniusz Gatnar**, in turn, suggested that in the light of "expert forecasts available to the MPC" which show CPI averaging to 4.2% in the remaining part of 2021, the Council should start to gradually normalise its policy and to act to prevent deanchoring of inflation expectations. He named higher oil price, weaker zloty and the upcoming materialisation of pent up demand plus the pressure from the labour market in services as key pro-inflationary factors. Łukasz Hardt wrote in an article for Dziennik Gazeta Prawna daily that the MPC should signal readiness to normalise its policy: raise the reserve requirement rate and then signal a rate hike by 15bp. In his view the MPC should not however be hasty with rate hikes.

**EURUSD** was stable on Monday near 1.2165. Today as many as 5 speakers from Fed are expected (John Williams, Lael Brainard, Mary Daly, Pahal Bostic and Patrick Harker). However in our opinion we need to wait till Wednesday CPI data for a bigger move in EURUSD to occur.

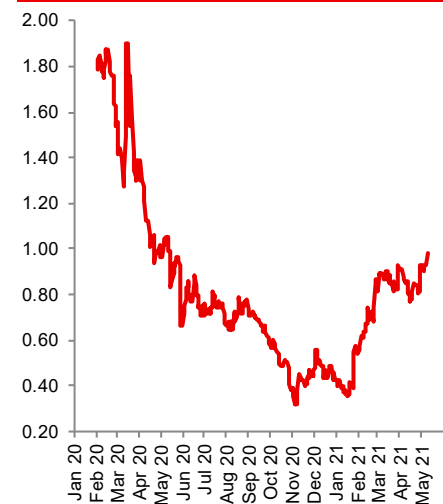
The liquidity of **EURPLN** a day ahead of today's Supreme Court ruling was low. After opening at 4.55 the pair spiked to 4.575 (+0.5%) thanks to increased foreign currency demand by importers. In the latter part of the day the EURPLN declined to close at 4.56 (+0.1%).

There was some divergence in the behaviour of **other CEE currencies**. EURHUF has not changed at 358.0, but EURCZK declined by further 0.2% to 25.59. Today there are April CPI data out of Hungary and Czechia. Strong beats might support forint and koruna in the short term. On Monday the strengthening trend of the ruble came to an end. USDRUB rebounded higher by 0.8% taking back roughly 1/3 of the MTD strengthening (USDRUB close at 74.2). One of the factors has been the cheapening oil price (Brent down 2% to \$67.9 per barrel).

On the **domestic interest rate market** on Monday the IRS curve was quite stable. Government bonds were doing worse: 5Y yield rose by 4bp to 0.98% and 10Y by 2bp to 1.71%. This indicates that the bar is high before the Wednesday NBP QE auction. The Bund spread widened again and is now at 192bp for 10Y.

On the **auction of BGK bonds** the floaters FPC0631 (on both the main and top up auctions) were sold for PLN 4.5bn. Year-to-date BGK issuance stands at PLN18bn out of PLN33bn scheduled for 2021 (55%).

#### 5Y POLGB yield kept increasing despite stable core market yields



Source: Refinitiv, Santander

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**FX market**

Today's opening			
EURPLN	4.5644	CZKPLN	0.1779
USDPLN	3.7620	HUFPLN*	1.2619
EURUSD	1.2137	RUBPLN	0.0508
CHFPLN	4.1701	NOKPLN	0.4543
GBPPLN	5.3087	DKKPLN	0.6139
USDCNY	6.4306	SEKPLN	0.4502

\*for 100HUF

Last session in the FX market						10.05.2021
	min	max	open	close	fixing	
EURPLN	4.547	4.576	4.553	4.558	4.563	
USDPLN	3.740	3.765	3.746	3.746	3.749	
EURUSD	1.214	1.218	1.215	1.217	-	

**Interest rate market** 10.05.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.14	2
DS0725 (5Y)	1.00	5
DS1030 (10Y)	1.71	2

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.30	1	0.20	0	-0.53	1
2L	0.63	3	0.26	1	-0.48	0
3L	0.93	4	0.42	-1	-0.42	0
4L	1.19	3	0.65	0	-0.34	0
5L	1.40	4	0.87	0	-0.27	0
8L	1.75	4	1.36	1	-0.02	1
10L	1.91	3	1.56	1	0.13	1

**WIBOR rates**

Term	%	Change (bps)
O/N	0.09	-2
T/N	0.10	0
SW	0.10	-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	0.23	0
3x6	0.25	0
6x9	0.31	0
9x12	0.42	1
3x9	0.33	2
6x12	0.42	3

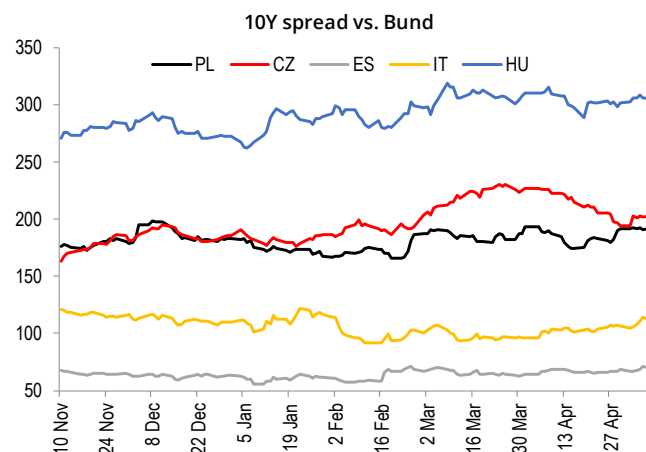
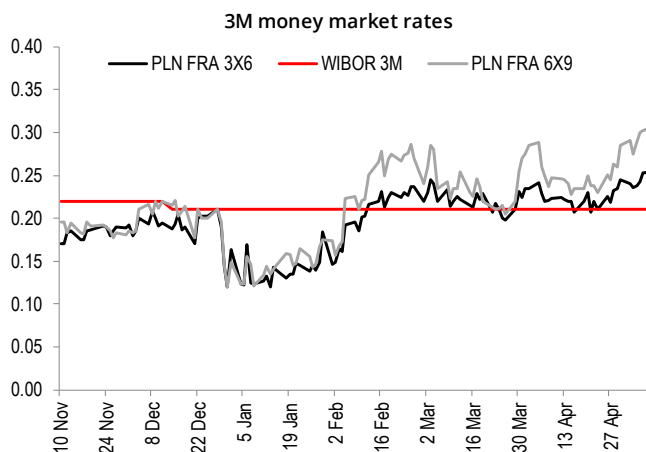
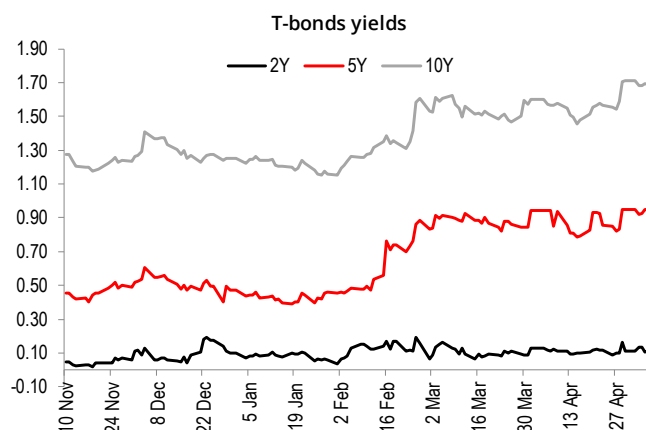
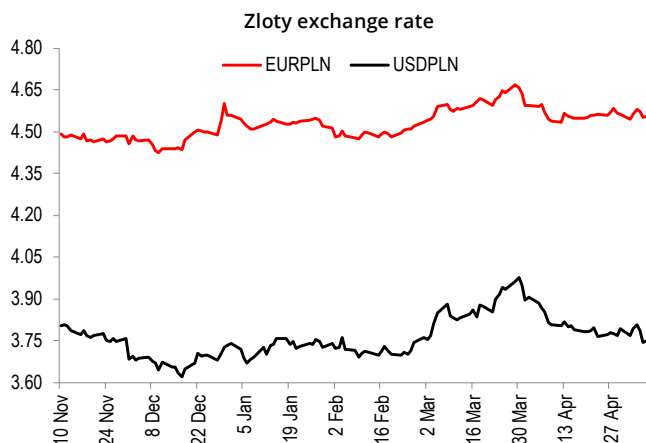
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	193	2
France	11	0	38	0
Hungary	64	0	305	0
Spain	36	-1	69	-2
Italy	50	-2	110	-4
Portugal	23	0	71	-2
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			
<b>FRIDAY (7 May)</b>								
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	
<b>TUESDAY (11 May)</b>								
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	
<b>WEDNESDAY (12 May)</b>								
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	
<b>THURSDAY (13 May)</b>								
14:30	US	Initial Jobless Claims		k		-	498.0	
<b>FRIDAY (14 May)</b>								
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Apr</b>	<b>% y/y</b>	<b>4.3</b>	<b>4.3</b>	<b>-</b>	<b>4.3</b>
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>1Q</b>	<b>% y/y</b>	<b>-1.3</b>	<b>-0.5</b>	<b>-</b>	<b>-2.8</b>
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Mar</b>	<b>€mn</b>	<b>1589.0</b>	<b>1654.0</b>	<b>-</b>	<b>1619.0</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Mar</b>	<b>€mn</b>	<b>930.0</b>	<b>1017.0</b>	<b>-</b>	<b>883.0</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Mar</b>	<b>€mn</b>	<b>24161.0</b>	<b>24642.0</b>	<b>-</b>	<b>21322.0</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Mar</b>	<b>€mn</b>	<b>23064.0</b>	<b>23625.0</b>	<b>-</b>	<b>20439.0</b>
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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