

Eyeopener

Verdict delayed, bond yields strongly up

Main stock markets go down due to high tech companies
 Supreme Court delayed its FX loans verdict
 Core market yields go up after better macro data
 EURPLN in a narrow range
 IRS and bond yields much higher in Poland and CEE after inflation releases
 Today inflation in USA and Germany, industrial output in the euro zone

On Tuesday the stock indices lost (roughly 1%) while the core market bond yields increased (UST +3bp to 1.62%, Bund +5bp to -0.16%). The US bond market was relatively less volatile as the key macroeconomic data impacting it – April CPI – will be published today. On Tuesday the new vacancies in the US surprised to the upside (8.1m vs 7.5m expected). On the other hand, the higher Bund volatility was caused by very high ZEW expectations print in Germany (84.4 vs 70.7 previously) and the euro one (84.0 vs 66.3 previously) as well as the highest WPI (Wholesale Price Index) reading since 2011 in Germany (7.2% y/y vs 4.4% y/y in March). In Hungary and Czechia the April CPI data were higher than a month before and also beat expectations strongly (Hungary CPI at 5.1% y/y, a 0.3pp beat; Czech CPI at 3.1% y/y, a 0.4pp beat) and contributed to higher CEE IRS rates.

Yesterday Fed talk (in total 5 members commented) were pretty consistent: the central bankers pointed to the fact that the US economy remains on the recovery path, however the risk factors are important and at the moment it is too early to talk about tapering. Today further comments from Fed officials will take place, including Richard Clarida.

The widely expected **Supreme Court ruling regarding the FX-denominated mortgage** in Poland has not taken place yesterday. The sitting was delayed due to the bomb alarm and brief evacuation of the court building. Later on, the judges decided to ask for further opinions from other institutions including NBP and KNF (financial regulator). This means that the ruling will be delayed: the new date has not been set. The asked institutions have 30 days to reply.

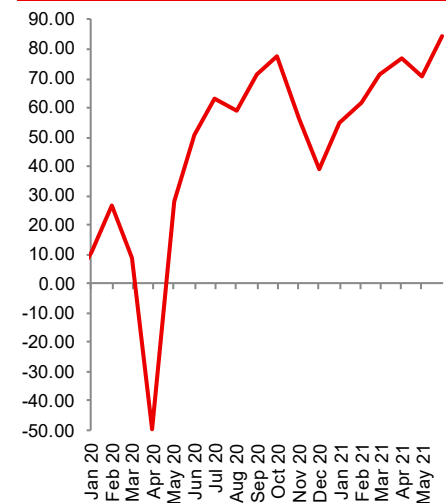
EURUSD on Tuesday fell from 1.215 at the opening to c.1.212, and at the end of the day soared to 1.217. Daily movement range reached 0.4% and change vs. previous close was 0.1%.

EURPLN spent most of the session awaiting the Supreme Court's verdict about FX loans. After opening at 4.56 the rate was hovering up (4.57, +0.2%) and down (4.55, -0.2%).

Other CEE currencies did not gain despite higher inflation prints and rising, in some cases strongly, IRS rates (e.g. HUF 5Y +9bp to 2.05%, CZK 5Y +3bp to 1.82%). EURHUF increased 0.3% to 358.9 and EURCZK did not change (25.55). USDRUB declined slightly (0.3% to 74.1).

On the domestic interest rate market we watched a sudden and significant rise of IRS rates and bond yields, on reduced liquidity. This was caused by three factors: globally higher yields on core markets after strong data from euro zone and Germany (ZEW, WPI inflation) as well as the USA (new vacancies). The second reason was much higher-than-expected prints of inflation in other CEE countries (Hungary, Czechia). The third one, the least significant of the three, was the investor sentiment ahead of today's QE auction, different than before the previous NBP auctions. Back then, investors were buying bonds several days before auctions to sell them with profit to the central bank. This time was different. The IRS curve rose by c.5-6bp (5Y to 1.46% from 1.30% seen in the end of last week). The bond curve also intensively moved higher, mostly on the belly (e.g. 5Y by 18bp to 1.15%). As a consequence the asset swap spread normalised (e.g. 5Y to -0.30% from -0.50% seen at the turn of the month and 10Y to -0.13% from -0.30% in late April). The Bund spread also rose significantly, to 199bp from 192bp.

ZEW Expectations in Germany



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.5408	CZKPLN	0.1776
USDPLN	3.7452	HUFPLN*	1.2619
EURUSD	1.2130	RUBPLN	0.0505
CHFPLN	4.1376	NOKPLN	0.4513
GBPPLN	5.2903	DKKPLN	0.6107
USDCNY	6.4393	SEKPLN	0.4488

*for 100HUF

Last session in the FX market						11.05.2021
	min	max	open	close	fixing	
EURPLN	4.545	4.570	4.559	4.547	4.563	
USDPLN	3.734	3.769	3.755	3.738	3.751	
EURUSD	1.212	1.218	1.214	1.217	-	

Interest rate market 11.05.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.16	2
DS0725 (5Y)	1.20	20
DS1030 (10Y)	1.83	12

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.32	2	0.19	0	-0.53	0
2L	0.68	4	0.25	-1	-0.47	1
3L	0.99	6	0.45	3	-0.41	1
4L	1.25	7	0.66	2	-0.33	1
5L	1.46	6	0.87	0	-0.24	3
8L	1.79	4	1.38	2	0.01	2
10L	1.95	4	1.58	3	0.16	3

WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
T/N	0.10	0
SW	0.10	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	0.27	2
6x9	0.35	4
9x12	0.46	5
3x9	0.36	3
6x12	0.46	4

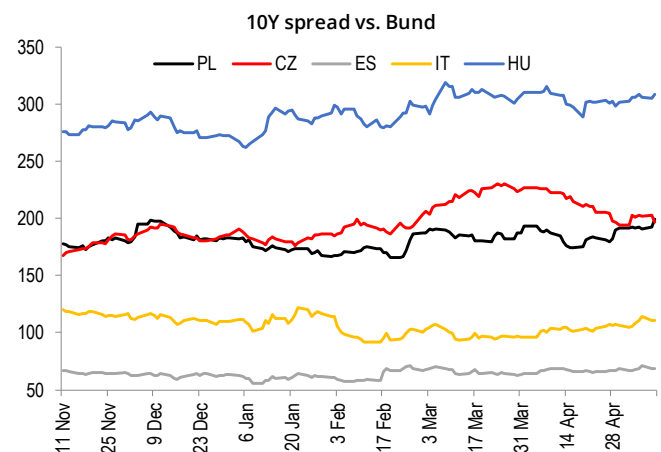
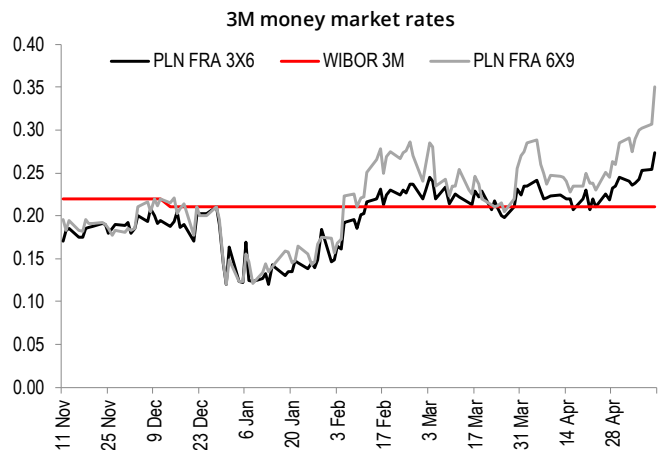
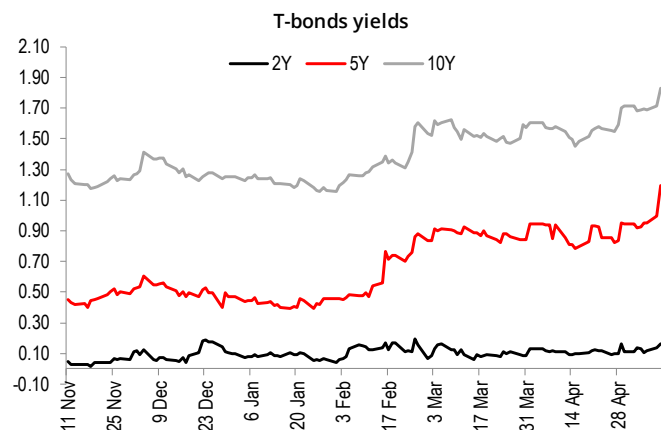
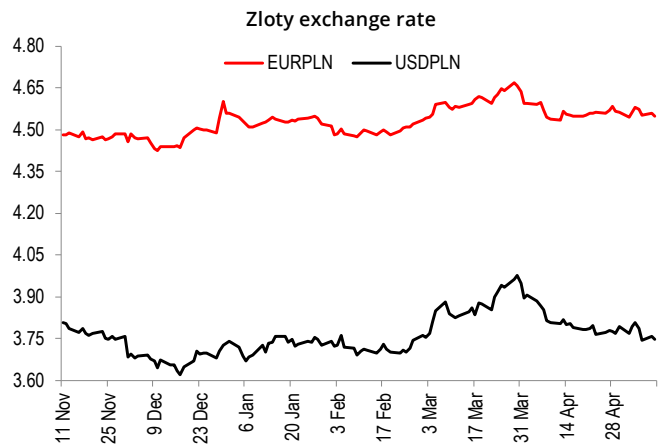
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	199	7
France	11	0	38	0
Hungary	64	0	308	3
Spain	36	0	69	0
Italy	50	0	110	0
Portugal	23	0	71	0
Ireland	11	0	43	2
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	2.7	3.1	2.3	
09:00	HU	CPI	Apr	% y/y	4.8	5.1	3.7	
11:00	DE	ZEW Survey Current Situation	May	pts	-41.6	-40.1	-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	-	3.2
10:00	PL	GDP	1Q	% y/y	-1.3	-1.0	-	-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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