

Eyeopener

US inflation surprised to the upside

Stock markets go down after US inflation surprised to the upside

Core bond yields higher, dollar stronger

EURPLN stable, IRS stable, bonds weaker at the belly

Today US weekly number of unemployment claims

On Wednesday the US inflation data release was the key event. Both headline inflation and core inflation exceeded market expectations by 0.6bp. CPI rose to 4.2% y/y and core CPI to 3.0% y/y due to, among others, rebound in commodity prices but also bottlenecks on the supply side of the economy, which is recovering quickly after the pandemic. Shortly after the data release Fed's Richard Clarida said that in his view inflation rise is transitory and it will return to 2% or slightly above in 2022-23. Clarida also emphasised the economy is far from Fed's targets and uncertainty in the labour market is higher than uncertainty regarding the growth outlook. In response to US inflation data yields increased (UST +6bp to 1.68%, Bund +3bp to -0.13%) and the dollar gained (0.6%). In the US equity markets tech stocks underperformed (NASDAQ -1.3%). European industrial production increased less than expected and the second reading of inflation in Germany did not differ from the first one (CPI 2.0% y/y, HICP 2.1% y/y).

MPC member Jerzy Kropiwnicki said that he expects inflation in Poland at above 4% (annual average and also the end-year value), so above the NBP projection and current market expectations. In his view factors leading to such high inflation are beyond the influence of the monetary policy. However, he does not expect and would not support a change of interest rates (or the reserve requirement rate) as it could threaten the economic rebound, while monetary stimulus is still needed after the 1Q21 affected by the COvId-19 pandemic.

GUS showed data on 1Q21 **average wage in the national economy**. It rose by 6.6% y/y. In the same period the average wage in the corporate sector rose by 5.8% y/y. The former measure has been growing at a faster pace than the latter in almost all quarters since the middle of 2018. In 1Q21 average inflation was 2.7% y/y – correcting for this rise of prices, the average wage in the national economy was higher than a year ago by 3.7% y/y vs 2.1% y/y in the previous quarter. This is a quick rebound compared to the behaviour of real wage after the global financial crisis, when it remained in the 0.7-1.5% y/y range for six quarters and returned to around 3% y/y only in the course of 2013. In our view this year the real wage growth may go up even more and this despite the strong rise of inflation in the recent months.

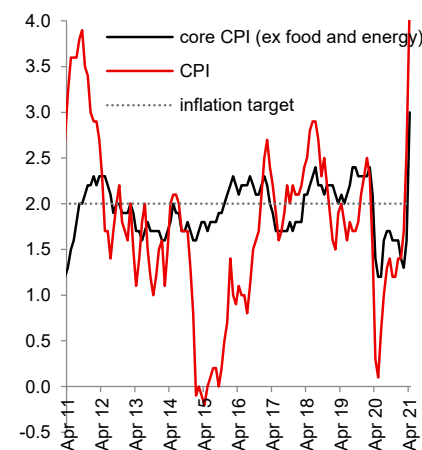
EURUSD fell by 0.5% to 1.209 after the US CPI print moved US Treasuries yields higher. In the near term the currency pair may fall to 1.205 and then 1.195.

EURPLN was surprisingly stable and for the most day hovered near 4.545. Today in the morning opens at 4.55. The MTD decline equals just 0.3%.

Other CEE currencies behaved in a different way: EURHUF declined by 0.3% to 357.4 (MTD down 0.8%), while HUF IRS noticeably increased for another day (5Y +6bp to 2.11%). CZK has finished the MTD strengthening of 1.2% with a small rebound of EURCZK higher by 0.2% to 25.6, while the CZK IRS were more stable (5Y at 1.81%). USDRUB has increased a bit to 74.3.

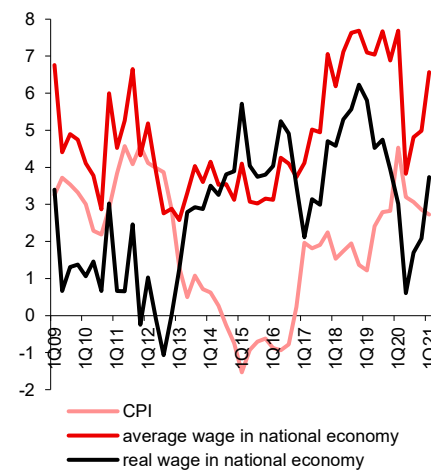
As for the **Polish fixed income market**, the IRS curve moved 1-2bp lower before the US inflation print and to 1-2bp higher after the data. The liquidity was lower than usual. As for bond yields - the belly of the curve yields up another 2bp (5Y to 1.20%) after rising by a record amount a day before - and this despite the NBP bond purchasing auction. The long end of the curve was stable (10Y at 1.83%). NBP purchased on Wednesday other PLN8bn of bonds. In total the QE program currently stands at PLN130bn. In February 2021 NBP purchased only PLN1.1bn, in March PLN4.0bn, in April (2 auctions) PLN10.4bn. Yesterday's auction was the first of 2 scheduled for the May (the other is optional) and the chances are the increasing trend of monthly purchases will remain in place. 10Y ASW widened further and currently stands at -12bp. The spread vs Bund narrowed 3bp to 196bp.

US inflation, % y/y



Source: Bloomberg, Santander

Wages in national economy, % y/y



Source: GUS, Santander

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FX market

| Today's opening | | | |
|-----------------|--------|---------|--------|
| EURPLN | 4.5505 | CZKPLN | 0.1775 |
| USDPLN | 3.7648 | HUFPLN* | 1.2593 |
| EURUSD | 1.2091 | RUBPLN | 0.0506 |
| CHFPLN | 4.1437 | NOKPLN | 0.4509 |
| GBPPLN | 5.2866 | DKKPLN | 0.6119 |
| USDCNY | 6.4528 | SEKPLN | 0.4469 |

*for 100HUF

| Last session in the FX market | | | | | | 12.05.2021 |
|-------------------------------|-------|-------|-------|-------|--------|------------|
| | min | max | open | close | fixing | |
| EURPLN | 4.534 | 4.548 | 4.541 | 4.545 | 4.545 | |
| USDPLN | 3.736 | 3.767 | 3.747 | 3.764 | 3.746 | |
| EURUSD | 1.206 | 1.215 | 1.212 | 1.207 | - | |

Interest rate market 12.05.2021

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| WS0922 (2Y) | 0.15 | -1 |
| DS0725 (5Y) | 1.20 | 1 |
| DS1030 (10Y) | 1.82 | -1 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|-------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 0.32 | 0 | 0.19 | 0 | -0.53 | 0 |
| 2L | 0.70 | 2 | 0.27 | 2 | -0.47 | 0 |
| 3L | 1.01 | 2 | 0.46 | 2 | -0.40 | 1 |
| 4L | 1.27 | 1 | 0.72 | 5 | -0.31 | 2 |
| 5L | 1.47 | 1 | 0.94 | 7 | -0.22 | 2 |
| 8L | 1.81 | 2 | 1.44 | 7 | 0.03 | 2 |
| 10L | 1.96 | 1 | 1.65 | 7 | 0.18 | 2 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 0.10 | 0 |
| 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 | 0 |
| 3x6 | 0.27 | -1 |
| 6x9 | 0.36 | 1 |
| 9x12 | 0.46 | 0 |
| 3x9 | 0.36 | 0 |
| 6x12 | 0.47 | 1 |

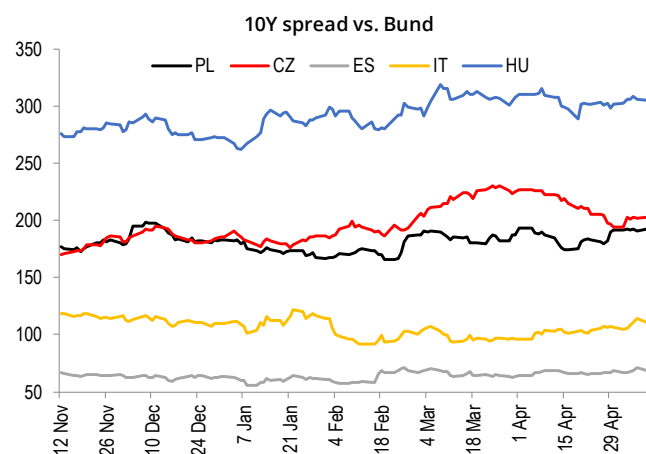
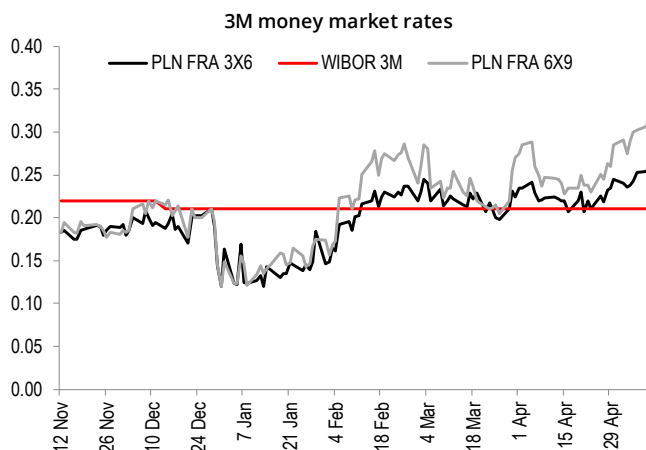
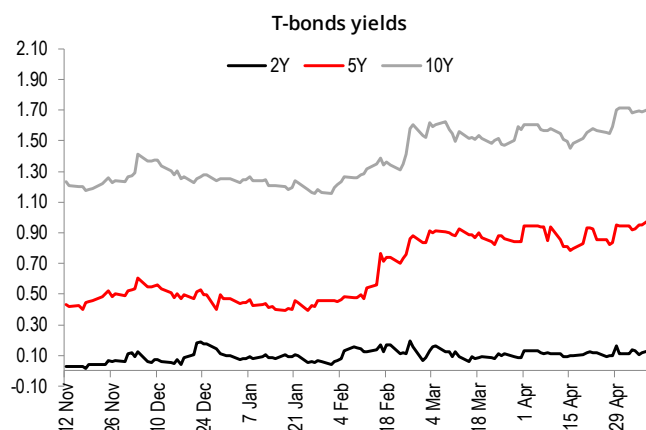
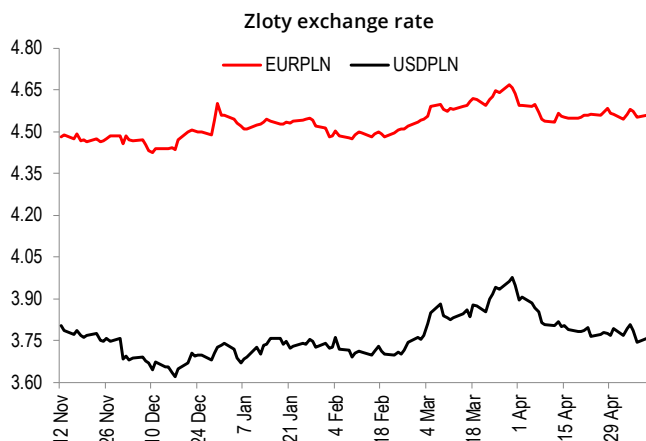
Measures of fiscal risk

| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 37 | 0 | 195 | -4 |
| France | 11 | 0 | 39 | 1 |
| Hungary | 64 | 0 | 311 | 3 |
| Spain | 36 | 0 | 69 | 0 |
| Italy | 50 | 0 | 111 | 1 |
| Portugal | 23 | 0 | 71 | 0 |
| Ireland | 11 | 0 | 43 | -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 | 2.7 | 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 | 0.5 | |
| 11:00 | EZ | Industrial Production SA | Mar | % m/m | 1.0 | 0.1 | -1.0 | |
| 14:30 | US | CPI | Apr | % m/m | 0.2 | -0.8 | 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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