

# Eyeopener

## Markets still quiet

Small daily changes on equities and core market yields  
 Dolar weaker, zloty slightly stronger  
 POLGB yields retrace lower  
 Today HICP data, in the evening FOMC minutes

Main stock indices remained flat for the better part of the day, only at the end of the US session equity recorded more significant declines, e.g. on Nasdaq. 10Y US and German bond yields remained flat. More happened on the FX market, with the dollar index reaching the weakest results since the first half of January. Oil prices fell by 3% due to information about progress in talks with Iran about its nuclear programme (which could mean that Iran will be able to export its oil): Brent fell to USD65.8 from USD70. 1Q21 GDP in the euro zone were in line with expectations formed based on the previous reading. March data on euro zone trade balance showed that import rebounded in annual terms much more (almost 20%) than export (below 10%), even though their annual growth rates were similar in 2020. In the USA the new home starts surprised to the downside indicating supply problems. Today we will get to see minutes from the FOMC meeting on 27-28 April. During this meeting the monetary policy parameters were not changed and Jerome Powell said that there is no space for tapering until the labour market and inflation improve.

**MPC's Grażyna Ancyparowicz** said that the first step towards monetary policy normalisation should be tapering of NBP's asset purchases programme and perhaps such signalling move should be considered soon, in her view possibly in July after analysing the next NBP projection. She did not declare whether she would support such decision. **Rafał Sura** was even more explicit, saying that the QE programme should be terminated before a rate cut. Despite being worried about inflation outlook for this year, he announced he will not support any rate hike, even a symbolic one, as it would have been "an injury for recovering economy". In November, if new projection shows inflation in 2022 and 2023 persistently above 3.5% due to demand-side factors, then in his view it would justify a need to raise interest rates, and Sura is confident that it the entire MPC would share a similar view.

**The Ministry of Finance** announced that after April the surplus in the state budget reached PLN9.2bn. In April alone the budget balance was +PLN12.6bn, which is a record high for April. There are several reasons for such good result: economic revival positively affecting tax revenues, partial reopening of the economy in March, extension of some tax payment deadlines in 2020 (e.g. deadline for PIT settlement was June 1st). Also, this year the subsidy for FUS (social security fund) is low, as the fund received additional transfers in 2020. We expect that in the next months the budget results will be normalising and at the end of the year the deficit may be similar as last year (PLN80bn).

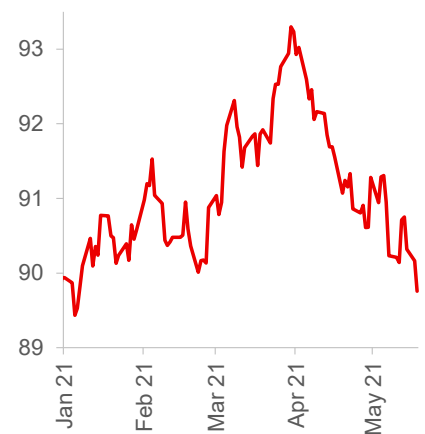
**EURUSD** quite easily moved intraday above 1.22 and remained there for the rest of the session. It was close to breaching the February top at 1.224.

**EURPLN** took advantage of the rise of EURUSD and dropped to the lowest level since late February (below 4.52). The same was true for USDPLN which went slightly below 3.70.

**On the CEE market:** the koruna also strengthened, with EURCZK getting below 25.4 for the first time since 1Q20. EURHUF made an attempt to break 350 as it extended of the Monday move on the back of strong 1Q GDP print (+1.9% q/q vs -0.1% expected). After that EURHUF rose slowly to 351. USDRUB remained stable around 73.7.

**On the domestic interest rate market** core market yields remained stable: UST at 1.64%, German bonds tried to strengthen by some 2bp to no avail and this morning Bund is opening relatively high, around -0.10%. Polish bond yields fell at the belly and the long end of the curve by c.4-5bp (10Y to 1.93%), while the IRS curve was quite stable.

### Dollar index



Source: Refinitiv, Santander

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### FX market

Today's opening			
EURPLN	4.5220	CZKPLN	0.1777
USDPLN	3.6959	HUFPLN*	1.2876
EURUSD	1.2238	RUBPLN	0.0502
CHFPLN	4.1165	NOKPLN	0.4498
GBPPLN	5.2404	DKKPLN	0.6081
USDCNY	6.4284	SEKPLN	0.4466

\*for 100HUF

Last session in the FX market						18/05/2021
	min	max	open	close	fixing	
EURPLN	4.515	4.534	4.527	4.522	4.527	
USDPLN	3.697	3.724	3.722	3.706	3.705	
EURUSD	1.216	1.223	1.216	1.220	-	

### Interest rate market 18/05/2021

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.26	1
DS0725 (5Y)	1.38	-5
DS1030 (10Y)	1.93	-6

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.44	-2	0.18	0	-0.53	1
2L	0.89	0	0.25	-1	-0.46	0
3L	1.21	1	0.44	0	-0.39	0
4L	1.42	0	0.68	-1	-0.30	1
5L	1.59	1	0.89	-2	-0.21	2
8L	1.86	1	1.39	-1	0.04	2
10L	1.98	1	1.58	0	0.19	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	0.25	0
1Y	0.26	0

#### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	0.26	-1
3x6	0.35	-5
6x9	0.50	-3
9x12	0.72	-1
3x9	0.45	-5
6x12	0.66	-3

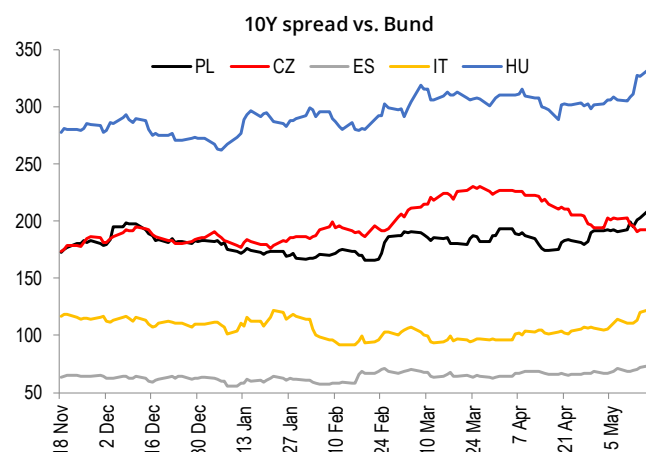
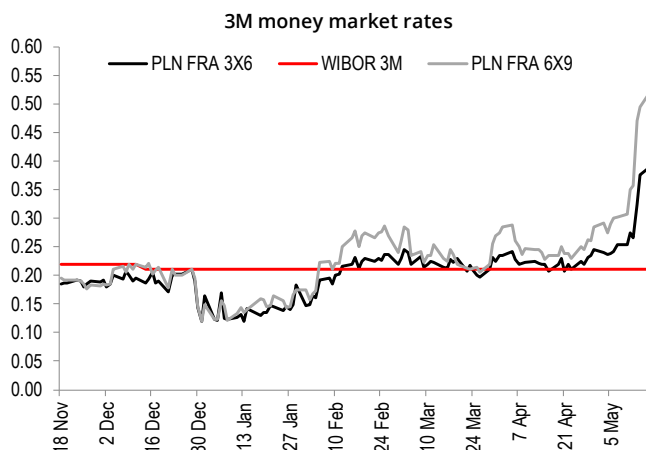
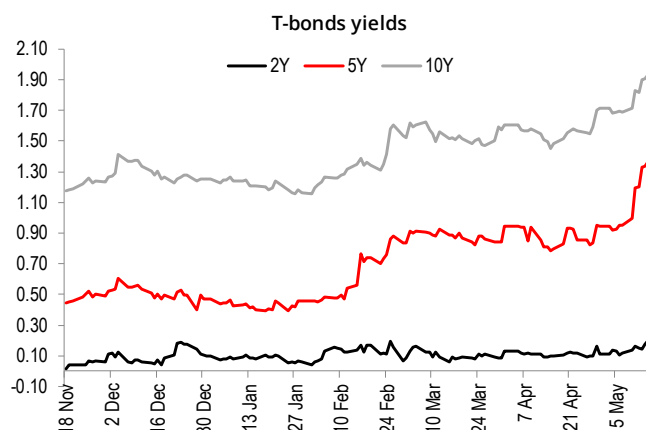
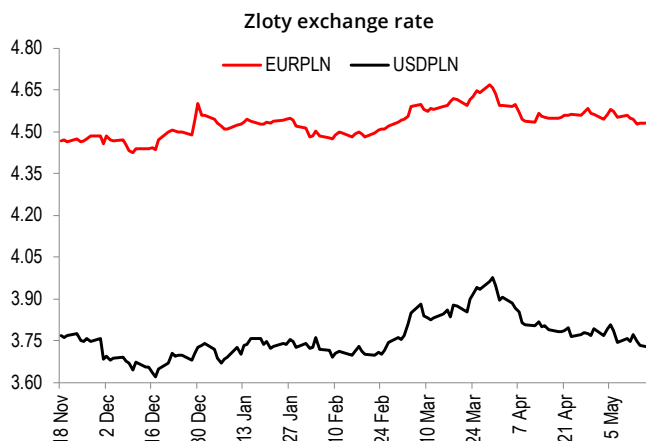
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	204	-7
France	10	0	39	-1
Hungary	64	0	340	6
Spain	38	0	71	-2
Italy	51	0	120	-2
Portugal	23	0	71	-3
Ireland	11	0	44	0
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 (14 May)</b>							
10:00	PL	CPI	Apr	% y/y	4.3	4.3	4.3
10:00	PL	GDP	1Q	% y/y	-1.4	-0.5	-1.2
14:00	PL	Current Account Balance	Mar	€mn	1589	1654	938
14:00	PL	Trade Balance	Mar	€mn	930	1017	589
14:00	PL	Exports	Mar	€mn	24161	24642	24427
14:00	PL	Imports	Mar	€mn	23064	23625	23838
14:30	US	Retail Sales Advance	Apr	% m/m	1.0	0.0	9.7
15:15	US	Industrial Production	Apr	% m/m	0.9	0.7	1.4
16:00	US	Michigan index	May	pts	90.2	82.8	88.3
<b>MONDAY (17 May)</b>							
14:00	PL	CPI Core	Apr	% y/y	3.8	3.7	3.9
<b>TUESDAY (18 May)</b>							
09:00	HU	GDP	1Q	% y/y	-3.7	-2.3	-3.6
11:00	EZ	GDP SA	1Q	% y/y	-1.8	-1.8	-4.9
14:30	US	Housing Starts	Apr	% m/m	-2.0	-9.5	19.8
<b>WEDNESDAY (19 May)</b>							
11:00	EZ	HICP	Apr	% y/y	1.6	-	1.3
20:00	US	FOMC Meeting Minutes	Apr/21				
<b>THURSDAY (20 May)</b>							
10:00	PL	Consumer confidence					
10:00	PL	Employment in corporate sector	Apr	% y/y	1.1	1.1	-
10:00	PL	Average Gross Wages	Apr	% y/y	9.9	9.9	-
14:30	US	Initial Jobless Claims		k		-	473.0
14:30	US	Index Philly Fed	May		43.2	-	50.2
<b>FRIDAY (21 May)</b>							
09:30	DE	Germany Manufacturing PMI	May	pts	66.0	-	66.4
09:30	DE	Markit Germany Services PMI	May	pts	52.0	-	49.9
10:00	EZ	Eurozone Manufacturing PMI	May	pts	62.3	-	62.9
10:00	EZ	Eurozone Services PMI	May	pts	52.0	-	50.5
10:00	PL	Business confidence					
10:00	PL	Construction Output	Apr	% y/y	-7.6	-7.6	-
10:00	PL	PPI	Apr	% y/y	4.9	4.5	-
16:00	US	Existing Home Sales	Apr	% m/m	0.8	-	-3.7

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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