

Eyeopener

Zloty stable despite equities sell-off

Decent falls in the European and US stock exchanges strengthen the dollar
 EURPLN unchanged
 POLGB yields lower, stable IRS and core market yields
 Today in Poland employment and wages data

Wednesday's session was marked by a strong equity selloff. European stock markets' losses reached 2.5% during the day, yet they managed to trim some losses later on. Among the triggers could have been the massive drop of cryptocurrencies, which exceeded 20% during the day. Debt and FX markets seemed somewhat distanced from the situation in equities. Bond yields in the core markets have only withdrawn from their morning 3bp rise. Dollar has strengthened. Gold gained 1%, while crude oil price fell over 3% amid communication from EU and Iran about a chance for a deal on Iran's nuclear programme.

Minutes from the April's FOMC meeting (at which monetary policy remained unchanged) revealed that according to Fed members the risk factors for economic growth are not as strong as in previous months, but the US economy is still far from the long-term objectives. The bottlenecks in supply chains could be more persistent than initially expected, putting a pressure on prices in 2022. Inflation will rise in the near term mainly due to transitory factors. If the economy continues dynamic improvement and approaches the targets, then the discussion about tapering could be initiated soon.

MPC's Cezary Kochalski thinks that there is no need to launch the cycle of rate hikes still in this term of office (i.e. before early 2022). He stressed that the economy is at an early stage of post-crisis recovery and the pandemic is still generating uncertainty. In his view inflation may be below 4% on average this year and next year should be no higher than 3.5%. The current rise of CPI growth is caused by shocks that will disappear in the medium term, bringing inflation lower. He added that when deciding on the launch of monetary policy tightening one should take into account a set of macroeconomic parameters and not just inflation. **MPC's Łukasz Hardt** stated that there are no reasons that CPI could return within the band of tolerable deviations around the NBP target still this year. He thinks that a quick rate hike by 15bp is needed to prevent a further rise of inflation expectations in the environment of quickly rising CPI. In his view the fact that the QE programme is still active does not exclude the use of such a monetary policy signal as the mentioned rate hike and even after normalisation of monetary policy the QE purchases might be continued.

HICP inflation rose in April from 4.4% y/y to 5.1%, the highest in 20 years. Goods prices inflation was the highest in 8.5 years (3.5% y/y) and services prices inflation declined from 9.2% y/y to 8.55%, the lowest in a year, but with airline fares dropping by over 60% y/y. Core HICP inflation (i.e. after excluding food, energy, alcohol and tobacco) remained for the third month at 5.2% y/y, the highest in 19.5 years.

The Finance Minister Tadeusz Kościński said that in line with the Ministry forecasts, in 2021 inflation will go down to 3.0-3.5% and in 2023 to 2023.

EURUSD climbed to 1.225 but then the worse equity sentiments supported the dollar. Today the pair opened at 1.219, i.e. 0.4% below the last close.

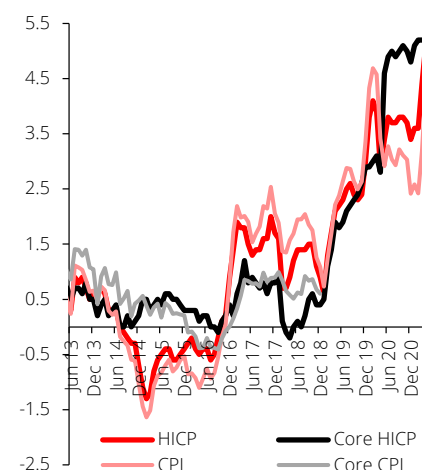
EURPLN also remained invulnerable to stock market tensions, even though it is usually strongly correlated with equity. The daily volatility remained within Tuesday range and did not go beyond 4.52-4.53. USDPLN also managed to stay close to 3.70.

On the CEE market: the forint did not suffer from equity market sell-off and tried to break 350, where it ended the day. Meanwhile, the koruna retreated from its minor strengthening and ended the day close to its opening level. The ruble remained indifferent to signals from other markets, even though the oil price fell USD RUB remained at 73.7.

On the domestic interest rate market there was a minor correction of the recent upward move: 5Y fell by 7bp to 1.30%, 10Y fell by 5bp to 1.90%. This happened despite stable core market yields. However, let us remind that the day did indeed start with an upward move (10Y Bund up by 3bp to -0.08%), which was reversed as stock markets plunged. Thus, the correction supporting Polish papers is likely to be limited. Such an interpretation is also supported by the IRS curve, which remained put for the second day in a row (even though a downward correction would be a natural reaction after rapid rises over the last few days). 10Y asset swap spread slid more below zero (to -5bp from -3bp) and Spread versus Bund went down by 4bp to 200bp.

The Ministry of Finance announced that at the **auction on Friday, 21 May**, it will offer bonds OKO-PLN4bn in total, while the earlier schedule for May assumed supply PLN4-7bn.

Inflation in Poland, %/y



Source: GUS, Eurostat, Santander

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FX market

Today's opening			
EURPLN	4.5187	CZKPLN	0.1771
USDPLN	3.7078	HUFPLN*	1.2910
EURUSD	1.2191	RUBPLN	0.0503
CHFPLN	4.1018	NOKPLN	0.4474
GBPPLN	5.2358	DKKPLN	0.6077
USDCNY	6.4384	SEKPLN	0.4446

*for 100HUF

Last session in the FX market						19/05/2021
	min	max	open	close	fixing	
EURPLN	4.515	4.532	4.522	4.518	4.531	
USDPLN	3.690	3.713	3.698	3.699	3.709	
EURUSD	1.219	1.224	1.223	1.221	-	

Interest rate market 19/05/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.23	-3
DS0725 (5Y)	1.27	-11
DS1030 (10Y)	1.87	-6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.43	-1	0.18	0	-0.53	0
2L	0.87	-3	0.27	2	-0.46	0
3L	1.19	-2	0.46	3	-0.38	1
4L	1.41	-1	0.71	3	-0.29	1
5L	1.57	-2	0.93	4	-0.20	1
8L	1.84	-2	1.42	3	0.05	1
10L	1.97	-1	1.62	3	0.20	1

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	0.25	-1
3x6	0.33	-2
6x9	0.48	-2
9x12	0.71	-1
3x9	0.42	-3
6x12	0.61	-5

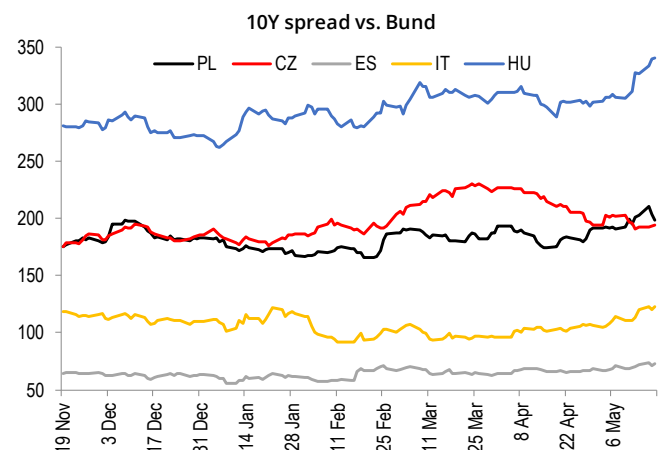
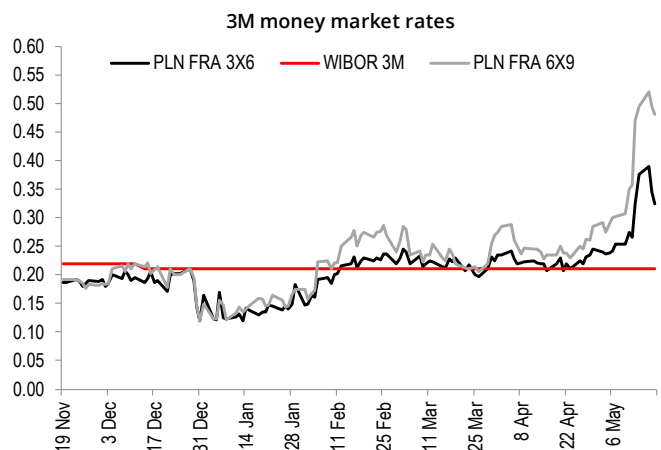
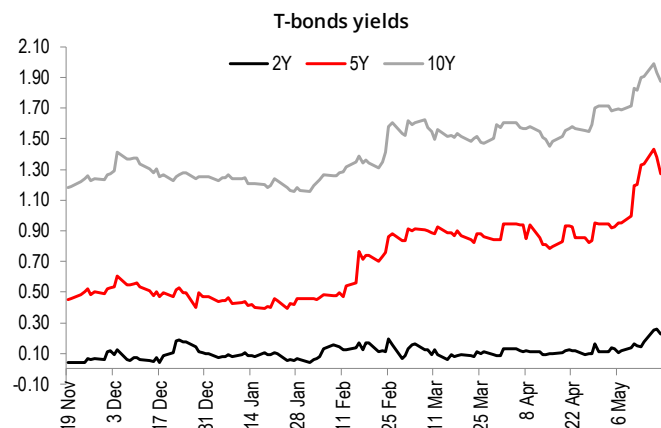
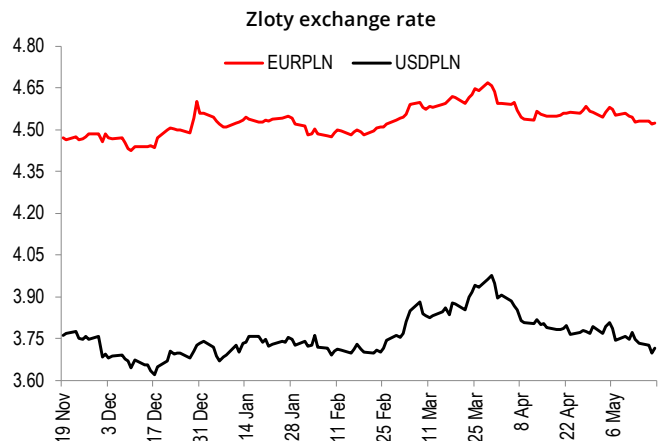
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	198	-6
France	10	0	40	0
Hungary	64	0	340	0
Spain	38	0	73	1
Italy	51	0	123	3
Portugal	23	0	73	2
Ireland	11	0	44	-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 (14 May)							
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
MONDAY (17 May)							
14:00	PL	CPI Core	Apr	% y/y	3.8	3.7	3.9
TUESDAY (18 May)							
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
WEDNESDAY (19 May)							
11:00	EZ	HICP	Apr	% y/y	1.6	1.6	1.3
20:00	US	FOMC Meeting Minutes	Apr/21				
THURSDAY (20 May)							
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
FRIDAY (21 May)							
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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