

Eyeopener

Equities rebound, złoty's tipping point

On Thursday global equity indices rebounded
 EURPLN fell to below 4.50, EURUSD moved back to above 1.22
 POLGB yields lower, IRS slightly higher
 Today in Poland construction output and PPI, preliminary PMI in Europe

Wednesday's stock market declines have been recouped yesterday both in US and in Europe (NASDAQ even with surplus). Also, US and German bond yields returned to where they were before Wednesday, just like EURUSD. The climate for sentiment stabilisation was supported by the ECB Chief Economist Phillip Lane's comment that the current economic environment in the euro zone is insufficient to keep inflation elevated and pushing inflation towards the target will still require lots of effort from the ECB. In his view, pickup of prices due to bottlenecks in production should not be considered as a genuine inflation rise. A similar effect could have the bigger than expected decline of Philadelphia Fed index in May (from 50.2 to 21.5, market consensus 41.0) – delaying in investors' view the moment when Fed may start tapering its QE programme. Although the costs sub-index has set another record, but the indicator of own prices retreated and employment indicator decreased as well.

Average employment rose by 0.9% y/y in April, slightly below our and market expectations at 1.1% y/y. It was the first positive annual rate of growth since March 2020. **Wages** advanced by 9.9% y/y, in line with our and market expectations. This was the highest annual growth rate since 2008. These readings were boosted by low base from April 2020. In general, Polish labour market remains robust and this will provide a solid basis for a major consumption rebound in 2H21. Also, the **consumer sentiment** should be supportive for personal spending, judging its strong improvement in May. The current indicator jumped from -14.6 to +8, which means it arrived to similar levels as in the summer of 2020, when people were relaxed about the pandemic. The expectations component went up by 11 pts to -8.9, which is the highest level since March 2020. See more in the [Economic Comment](#).

During the April meeting the MPC voted two motions: to restore the pre-pandemic reserve requirement ratio (3.5%) and to cut the reserves interest rate (to 0.01% from 0.10%). Both motions were supported by Gatnar, Hardt and Zubelewicz. Other members did not agree with the view that monetary policy normalisation should start with changes in reserves, so we would not rule out that if motion to hike the NBP reference rates appears at the upcoming meetings, it could gather even more support, yet not high enough to pass it through.

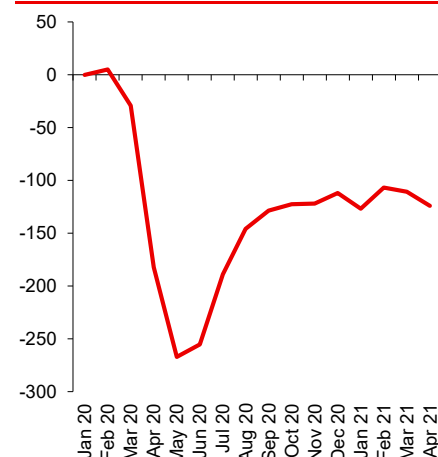
EURUSD recovered during the yesterday session from the trough caused by the publication of FOMC minutes on Wednesday evening and again at European close was above 1.22. Today it can be influenced by flash PMIs for Eurozone and its key economies.

EURPLN crossed yesterday the 4.50 level despite the loss of downside momentum in the previous days and stabilisation around 4.52. Trading was mostly one way. An even larger decline, of nearly 1%, was seen on USDPLN. The exchange rate went below 3.68 approaching the year-to-date low set in the first days of January.

On the CEE market the forint fought the 350 level, eventually closing below it. The depreciation of the koruna knocked EURCZK out of the downside trend which the fx rate followed since early May. The close around 25.5 meant almost no daily change. The ruble strengthened somewhat vs the dollar and finished the day slightly below 73.6.

On the domestic interest rate market government bonds strengthened (yields down by c.5bp on the long end and up to 10bp in the middle of the curve). The IRS curve after two days of stability did not attempt to correct the recent rise, but instead its long end went up by c.5bp. Today **The Ministry of Finance** sells OK0423, PS1026, DS1030, WZ1131 and WZ1126 for a total of PLN4bn. **Bank Gospodarstwa Krajowego** informed that it will offer FPC0631 for at least PLN1bn at its Monday, 24 May auction.

Employment, difference vs January 2020, thousand jobs



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.4996	CZKPLN	0.1761
USDPLN	3.6831	HUFPLN*	1.2875
EURUSD	1.2224	RUBPLN	0.0501
CHFPLN	4.1042	NOKPLN	0.4425
GBPPLN	5.2186	DKKPLN	0.6051
USDCNY	6.4345	SEKPLN	0.4428

*for 100HUF

Last session in the FX market 20/05/2021

	min	max	open	close	fixing
EURPLN	4.491	4.525	4.522	4.493	4.519
USDPLN	3.674	3.716	3.712	3.675	3.708
EURUSD	1.218	1.223	1.218	1.222	-

Interest rate market 20/05/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.18	-5
DS0725 (5Y)	1.26	-1
DS1030 (10Y)	1.91	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.45	2	0.17	0	-0.53	0
2L	0.88	1	0.25	-2	-0.46	0
3L	1.21	2	0.44	-3	-0.39	-1
4L	1.44	3	0.67	-3	-0.30	-1
5L	1.61	4	0.90	-3	-0.21	-1
8L	1.89	5	1.39	-3	0.04	-1
10L	2.03	6	1.58	-4	0.18	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.08	-2
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	3
6x9	0.50	2
9x12	0.73	2
3x9	0.43	1
6x12	0.64	3

Measures of fiscal risk

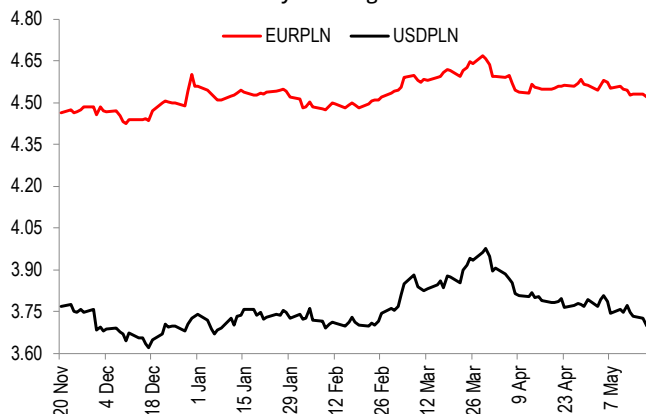
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	201	3
France	10	0	38	-2
Hungary	64	0	329	-11
Spain	38	0	69	-4
Italy	50	-2	116	-7
Portugal	23	0	69	-4
Ireland	11	0	41	-2
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

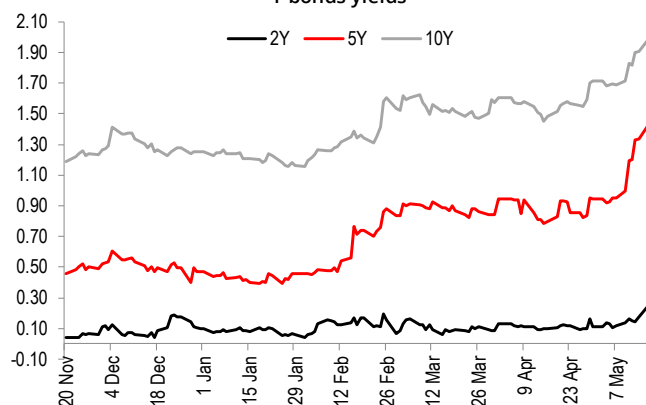
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

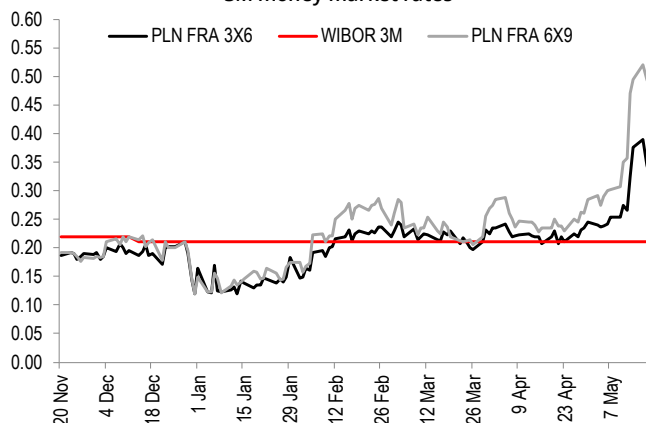
Zloty exchange rate



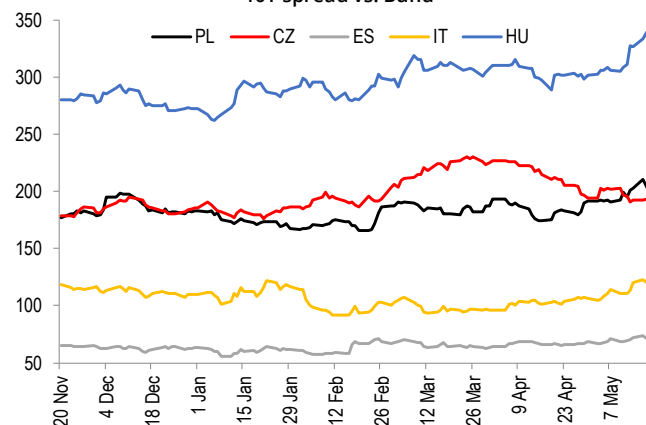
T-bonds yields



3M money market rates



10Y spread vs. Bund



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	0.9
10:00	PL	Average Gross Wages	Apr	% y/y	9.9	9.9	8.0
14:30	US	Initial Jobless Claims		k	450	444	478
14:30	US	Index Philly Fed	May		43.2	31.5	50.2
FRIDAY (21 May)							
09:30	DE	Germany Manufacturing PMI	May	pts	66.0	-	66.2
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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