

25 May 2021

Eyeopener

Production and sales close to expectations

Strong growth in April's output and sales boosted by low base effects
 Stock markets slightly above zero
 EURPLN continues decline to 4.48
 Polish bonds stronger, IRS lower
 Today, M3 money supply in Poland, German Ifo, Hungarian MNB decision

At the start of a week, which in general is not very abundant in terms of global macro data releases, markets were quite optimistic thanks to a rebound of the technological stocks; the dollar weakened providing support for EM currencies. Core market yields went down a bit (Bund to -0.14% and UST to 1.60%). Energy commodities prices went up (Brent by 2%) and so did precious metals (by about 1%). There were no important data releases in Europe. Japanese sales in department stores rebounded dynamically (167% y/y), while April inflation in Singapore surprised to the upside, similarly as May inflation in Mexico. US Fed activity index disappointed.

MPC member Eryk Łon, considered the most dovish member of the Council, said on Monday that the central bank should refrain from interest rate hikes, despite the improvement in the economy. In his opinion, the economic rebound is in the early stage and a potential rate hike would be too risky. At the same time, Mr. Łon has not ruled out interest rate cuts in the scenario in which the PLN gets too strong. In our opinion, the view about possibility of rate cuts is in clear minority in the MPC.

Retail sales rose by 21.1% y/y in April, roughly in line with our expectations (21.4% y/y) and below market consensus at 28.5% y/y. In comparison with the corresponding period of 2019, retail sales fell by 6.2% versus an increase by 5.1% in March due to Easter effect and pandemic restrictions (shopping malls were still closed in April). **Industrial output** rose by 44.5% y/y in April greatly boosted by very low statistical base. It was quite close to market and our expectations. Supply-side issues may have weighed to some extent on the results, but were not strong enough to dampen total growth of output. **Big companies reported record-high financial results** in 1Q21, with strong improvement of revenues and rebound in investment. Business environment remains strong. See more in [Economic comment](#).

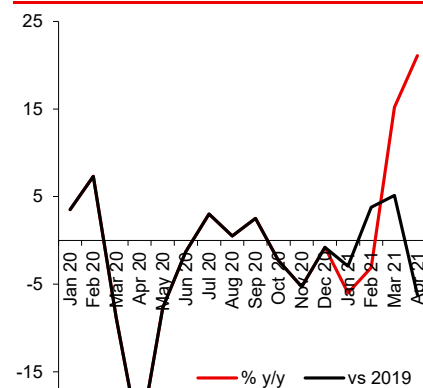
EURUSD rose on Monday by 0.4% to 1.222 and this was its third, and so far the least dynamic, attempt to go above 1.225 – the local maximum – in the course of the last few days. Failure of the exchange rate to breach the level may herald the start of the period of stronger dollar (technical support is situated at 1.204).

EURPLN on Monday continued to decline, getting to 4.48 (so the fall is already 1.4% month-to-date) and in our view the trend may stay in the nearest future, We expect to see EURPLN around 4.45 near the end of the week.

As for the **other CEE currencies** EURHUF dropped for the ninth session in a row, this time by 0.3% to 347.5. EURCZK also fell slightly (25.42) after May consumer sentiment indexes in Czechia showed a significant rise. On the other hand USDRUB remained at 73.5.

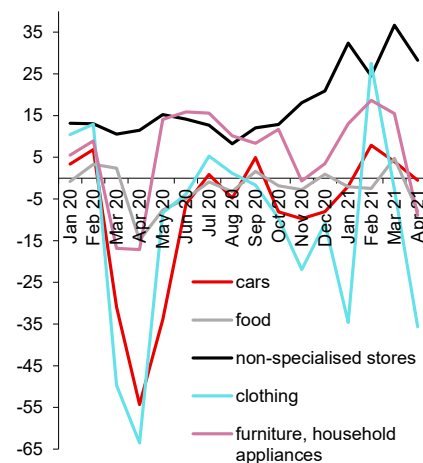
On the **domestic interest rate market** the looming redemption of bonds worth PLN5.5bn and the NBP buyback auction were weighing on bond yields. IRS rates fell 4-5 bp along the curve amid small turnover (5Y closed the day at 1.58%, 10Y at 1.99%). Government bonds were also gaining, although less – by 3bp (5Y to 1.1%, 10Y to 1.83%). Spread vs Bund narrowed to 195bp. BGK at the auction sold bonds FPC0631 worth in total (including supplementary auction) PLN2.2bn amid demand at PLN1.55bn.

Retail sales, annual growth rate and growth rate vs 2019



Source: GUS, Santander

Retail sales breakdown, growth rates vs 2019



Source: GUS, Santander

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FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4.4789 | CZKPLN | 0.1745 |
| USDPLN | 3.6632 | HUFPLN* | 1.2763 |
| EURUSD | 1.2227 | RUBPLN | 0.0499 |
| CHFPLN | 4.0859 | NOKPLN | 0.4403 |
| GBPPLN | 5.1940 | DKKPLN | 0.6023 |
| USDCNY | 6.4105 | SEKPLN | 0.4408 |

*for 100HUF

Last session in the FX market 24/05/2021

| | min | max | open | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.479 | 4.495 | 4.493 | 4.480 | 4.488 |
| USDPLN | 3.665 | 3.690 | 3.689 | 3.669 | 3.680 |
| EURUSD | 1.217 | 1.223 | 1.218 | 1.221 | - |

Interest rate market 24/05/2021

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| WS0922 (2Y) | 0.16 | -3 |
| DS0725 (5Y) | 1.20 | -3 |
| DS1030 (10Y) | 1.82 | -5 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|-------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 0.44 | 0 | 0.16 | -1 | -0.53 | 0 |
| 2L | 0.83 | -2 | 0.23 | -2 | -0.47 | 0 |
| 3L | 1.16 | -3 | 0.43 | -2 | -0.40 | -1 |
| 4L | 1.41 | -2 | 0.67 | -2 | -0.32 | -1 |
| 5L | 1.59 | -3 | 0.88 | -2 | -0.24 | -1 |
| 8L | 1.88 | -2 | 1.36 | -2 | 0.01 | -1 |
| 10L | 2.01 | -3 | 1.56 | -2 | 0.15 | -1 |

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 | 0.25 | -1 |
| 3x6 | 0.32 | -1 |
| 6x9 | 0.50 | -3 |
| 9x12 | 0.68 | -3 |
| 3x9 | 0.41 | -2 |
| 6x12 | 0.64 | 0 |

Measures of fiscal risk

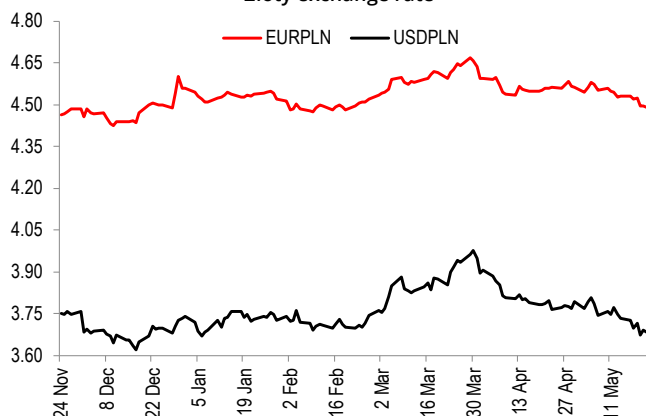
| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 37 | 0 | 196 | -4 |
| France | 10 | 0 | 37 | 0 |
| Hungary | 64 | 0 | 0 | -326 |
| Spain | 37 | 0 | 69 | 0 |
| Italy | 50 | 1 | 116 | -1 |
| Portugal | 23 | 0 | 69 | -1 |
| Ireland | 11 | 0 | 41 | 0 |
| Germany | 8 | 0 | - | - |

* 10Y treasury bonds over 10Y Bunds

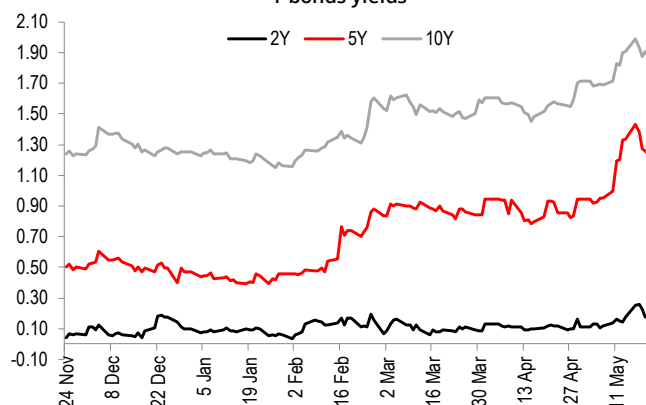
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

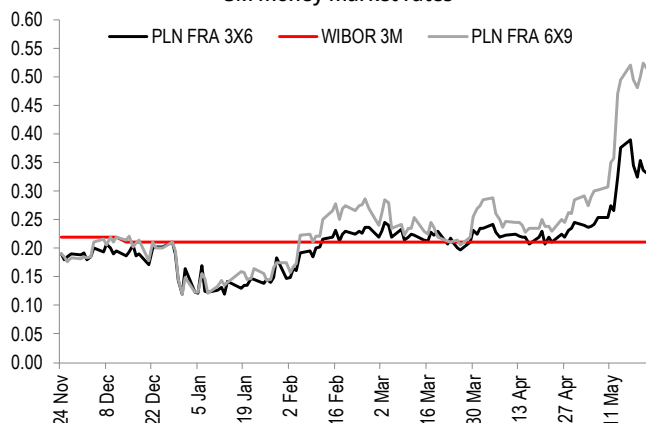
Zloty exchange rate



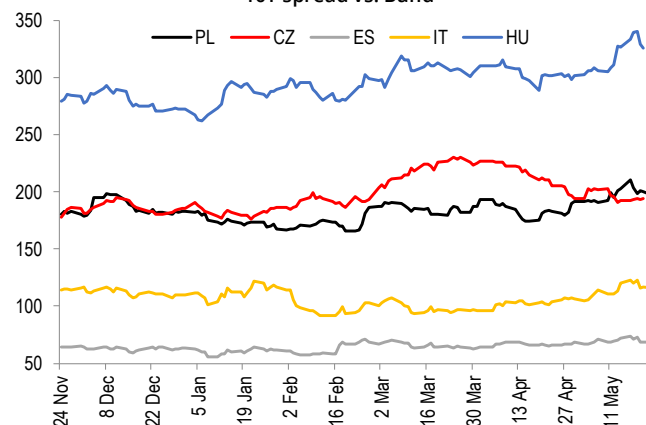
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

| TIME CET | COUNTRY | INDICATOR | PERIOD | FORECAST | | ACTUAL VALUE | LAST VALUE* |
|---------------------------|-----------|-------------------------------|------------|--------------|-------------|--------------|-------------|
| | | | | MARKET | SANTANDER | | |
| FRIDAY (21 May) | | | | | | | |
| 09:30 | DE | Germany Manufacturing PMI | May | pts | 65.9 | 64.0 | 66.4 |
| 09:30 | DE | Markit Germany Services PMI | May | pts | 52.0 | 52.8 | 49.9 |
| 10:00 | EZ | Eurozone Manufacturing PMI | May | pts | 62.5 | 62.8 | 62.9 |
| 10:00 | EZ | Eurozone Services PMI | May | pts | 52.5 | 55.1 | 50.5 |
| 10:00 | PL | Construction Output | Apr | % y/y | -7.6 | -7.6 | -4.2 |
| 10:00 | PL | PPI | Apr | % y/y | 4.9 | 4.5 | 5.3 |
| 16:00 | US | Existing Home Sales | Apr | % m/m | 1.1 | -2.7 | -3.7 |
| MONDAY (24 May) | | | | | | | |
| 10:00 | PL | Sold Industrial Output | Apr | % y/y | 45.0 | 43.6 | 44.5 |
| 10:00 | PL | Retail Sales Real | Apr | % y/y | 28.5 | 21.4 | 21.1 |
| TUESDAY (25 May) | | | | | | | |
| 08:00 | DE | GDP WDA | 1Q | % y/y | -3.0 | -3.1 | -3.0 |
| 10:00 | DE | IFO Business Climate | May | pts | 98.0 | - | 96.8 |
| 14:00 | HU | Central Bank Rate Decision | May/21 | % | 0.6 | - | 0.6 |
| 14:00 | PL | Money Supply M3 | Apr | % y/y | 12.4 | 11.8 | - |
| 16:00 | US | Consumer Conference Board | May | pts | 120.0 | - | 121.7 |
| 16:00 | US | New Home Sales | Apr | % m/m | -6.46 | - | 20.7 |
| WEDNESDAY (26 May) | | | | | | | |
| 10:00 | PL | Unemployment Rate | Apr | % | 6.3 | 6.3 | - |
| THURSDAY (27 May) | | | | | | | |
| 14:30 | US | Durable Goods Orders | Apr | % m/m | 0.8 | - | 1.0 |
| 14:30 | US | GDP Annualized | 1Q | % Q/Q | 6.4 | - | 6.4 |
| 14:30 | US | Initial Jobless Claims | | k | 450.0 | - | 473.0 |
| 16:00 | US | Pending Home Sales | Apr | % m/m | 1.2 | - | 1.92 |
| FRIDAY (28 May) | | | | | | | |
| 11:00 | EZ | ESI | May | pct. | 113.1 | - | 110.3 |
| 14:30 | US | Personal Spending | Apr | % m/m | 0.4 | - | 4.2 |
| 14:30 | US | Personal Income | Apr | % m/m | -15.0 | - | 21.1 |
| 14:30 | US | PCE Deflator SA | Apr | % m/m | 0.6 | - | 0.5 |
| 16:00 | US | Michigan index | May | pts | 83.0 | - | 82.8 |

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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