

Eyeopener

Bond yields keep rising

Equity markets in green after solid US data
 Bond yields in the core markets up 3bp, dollar stable
 Zloty and forint stronger, koruna and ruble stable
 FRA and IRS stable, Polish bond yields higher again
 Today, European ESI, US personal income and spending, Michigan index

On Thursday main global stock indices gained after positive data from the US labour market and information about US president's new infrastructure investment plans. The dollar was stable versus a basket of currencies, but UST yields increased by 3bp to 1.61%. German Bund yields rose at a similar scale and ended the day at -0.17%. Main commodities were stable with Brent oil at \$68.7 and gold at 1895\$. US labour market numbers were optimistic – new jobless claims were lowest since the start of the pandemic (406k). Durable goods orders climbed stronger than expected. Pending home sales were weak and this happened mostly due to low supply of affordable housing. ECB's Jens Weidmann said that fiscal help during the pandemic should not be retreated too early, but it is not a mistake to stick to fiscal rules, as high public debt should be avoided. Fed's Kaplan said that the labour supply could prove lower than expected and this feature should be taken into account in monetary policy decisions.

EURUSD was stable on Thursday despite the strong US data. It was moving around 1.22.

EURPLN returned from 4.50 it had tested a day earlier to 4.488. In the coming days we do not expect it to move much. A slow pursuit of global market sentiment seems more likely, making it fall some more.

As to the **other regional currencies**, EURHUF fell 0.5% after the increases which took place in the previous two days. The sentiment towards forint was positive despite worse unemployment data (April unemployment rate increased to 4.4% (vs 4.0% month before and expected 4.0%). We think that the EURHUF decline move is likely to reverse in the short-term. What is interesting both EURCZK and USDRUB remained unchanged, for a second day in a row - at 25.42 and 73.40, respectively.

On the Polish **fixed income market** the FRA 9x12 contracts were stable near 0.65% (3M Wibar is at 0.21%, hence FRA pricing implies 40bp hikes by Q1 2022). Similarly, the IRS have not changed much on a day-to-day basis (with some intraday volatility) e.g. 5Y at 1.53%, 10Y at 1.94%. The POLGB yields, however, have increased notably for a second day in a row, after the Wednesday NBP QE purchasing auction on which no POLGBs were purchased. 5Y moved up 6bp to 1.29%, 10Y also 6bp to 1.91% which feels like the market is slowly pricing in the upcoming end to the QE programme. The 10Y ASW spread widened almost to zero and has corrected roughly half of the way to the pre-pandemic levels. The 10Y spread vs Bund increased noticeably and equalled the local maximum from the middle of the May (208bp).

10Y ASW keeps normalizing



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.4896	CZKPLN	0.1761
USDPLN	3.6865	HUFPLN*	1.2890
EURUSD	1.2178	RUBPLN	0.0501
CHFPLN	4.1027	NOKPLN	0.4408
GBPPLN	5.2291	DKKPLN	0.6035
USDCNY	6.3722	SEKPLN	0.4443

*for 100HUF

Last session in the FX market 27/05/2021

	min	max	open	close	fixing
EURPLN	4.479	4.503	4.500	4.491	4.498
USDPLN	3.670	3.695	3.690	3.684	3.693
EURUSD	1.218	1.222	1.219	1.219	-

Interest rate market 27/05/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.32	7
DS0725 (5Y)	1.31	7
DS1030 (10Y)	1.92	6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.42	0	0.15	-1	-0.53	0
2L	0.80	0	0.23	1	-0.46	1
3L	1.11	0	0.42	1	-0.40	2
4L	1.35	0	0.66	2	-0.33	2
5L	1.53	1	0.87	2	-0.25	3
8L	1.82	0	1.36	3	-0.01	4
10L	1.94	0	1.56	3	0.13	3

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	0.24	0
3x6	0.31	1
6x9	0.49	-1
9x12	0.65	-2
3x9	0.40	-1
6x12	0.61	0

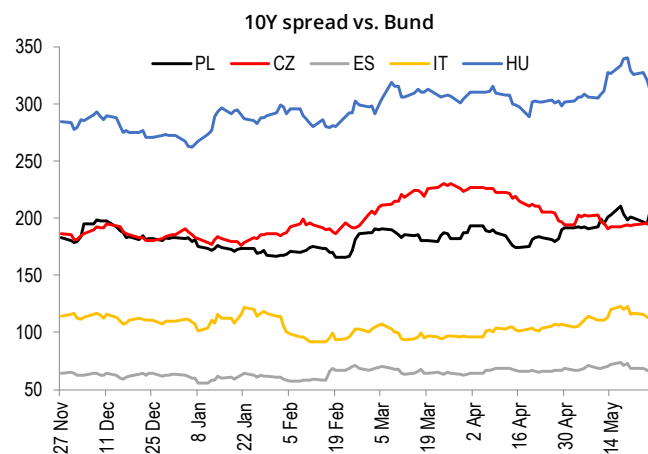
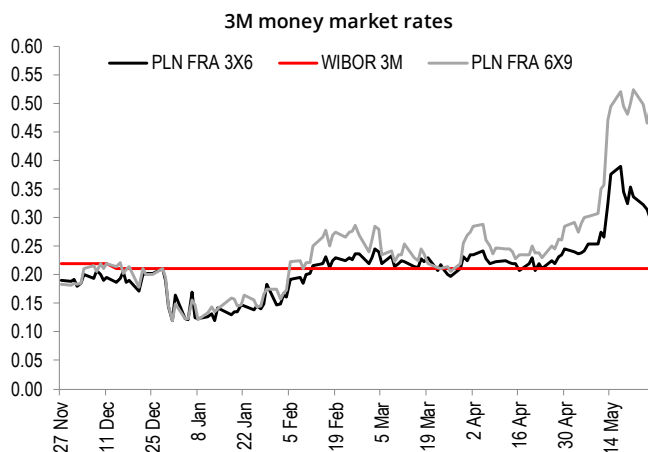
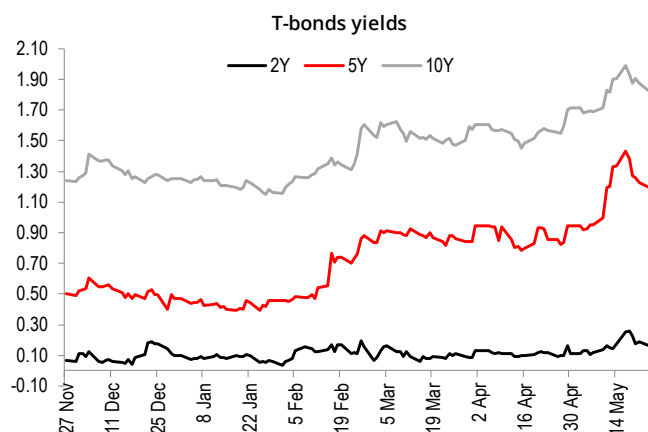
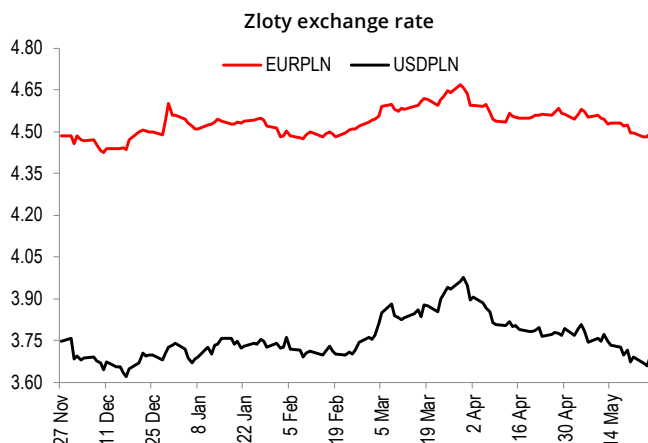
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	10	209	3
France	10	0	36	0
Hungary	64	0	314	2
Spain	35	-1	66	0
Italy	46	-2	111	-2
Portugal	21	0	66	0
Ireland	11	0	40	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		
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	101.0	102.9	99.5
14:00	HU	Central Bank Rate Decision	May/21	%	0.6	0.6	0.6
14:00	PL	Money Supply M3	Apr	% y/y	12.4	11.8	11.2
16:00	US	Consumer Conference Board	May	pts	120.0	117.2	121.7
16:00	US	New Home Sales	Apr	% m/m	-6.5	-5.9	20.7
WEDNESDAY (26 May)							
10:00	PL	Unemployment Rate	Apr	%	6.3	6.3	6.4
THURSDAY (27 May)							
14:30	US	Durable Goods Orders	Apr	% m/m	0.8	-1.3	1.0
14:30	US	GDP Annualized	1Q	% Q/Q	6.5	6.4	6.4
14:30	US	Initial Jobless Claims		k	425.0	406.0	444.0
16:00	US	Pending Home Sales	Apr	% m/m	0.4	-4.4	1.9
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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