

14 June 2021

## Eyeopener

### Russia hikes rates, NBP seemingly dovish

On Friday stock indices ended the day in green, better than expected US data  
 Core market yields stable  
 Dolar stronger, EURPLN tad higher  
 FRA and IRS decreased a lot while bond yields only a bit – 10Y ASW positive again  
 Today, balance of payments data in Poland, industrial production in Eurozone

On Friday stock exchanges around the world were showing gains, the dollar strengthened vs. a basket of developed market currencies by about 0.5% and gold price fell. 10Y UST yield stabilised after several days of declines at 1.45% and Bund yields around -0.28%. The price of Brent oil barrel remained slightly above US\$72.

Several ECB members warned about high inflation in the euro zone. Robert Holzmann (Austria) said that a breach by European inflation of 3% y/y would call for consideration of action. Jens Weidmann (Germany) judged that inflation in Germany may temporarily reach the area around 4% y/y. On Friday German May wholesale trade prices were published, rising 9.7% y/y (up from 7.2% y/y a month earlier). In the USA the preliminary reading of University of Michigan consumer sentiment index was 86.4 pts 2.2pts higher than expected. Interestingly, while the US CPI inflation has recently increased to 5% y/y in May, survey-based inflation expectations one year ahead dropped to 4.0% y/y from 4.7% a month earlier.

Friday's **conference of NBP president Adam Glapiński** seemed to be dovish, but in our view the NBP communication is gradually shifting, suggesting that the monetary policy may be data-driven: if an optimistic scenario is confirmed (fast GDP growth, high inflation), then the MPC could consider faster rate hikes, even before the year-end, in our view. Read more in our [Economic comment](#).

**Minutes from the May's NBP meeting** showed that a motion to hike reserve requirement to 3.5% was dismissed again. The document reads that most MPC members thought both rates and other policy instruments should remain unchanged. Central bankers assessed that the inflation is elevated due to factors not dependent on the NBP and will probably be transitory: the NBP should support the economic recovery by keeping financing costs low. Any rate hikes should be conditional – not only on rising inflation pressure in the upcoming months (especially due to demand factors) but also on the end of the pandemic and persistence of the recovery. As for the latter, NBP forecasts suggest that the upcoming months will see an improving economic performance and the possible new pandemic wave will be moderately negative.

**EURUSD** fell on Friday to 1.213 from 1.218 (by 0.4%) and this still before the publication of the University of Michigan index data.

**EURPLN** increased on Friday by 0.2%, similarly as EURHUF. EURPLN has traded above the previous day maximum thanks to slightly dovish tone of NBP Glapinski comments. We think the pair might fall to 4.45 in the coming week due to positive macro data.

As for the **other regional currencies** the ruble has slightly strengthened (ruble basket down 0.3% to 78.6) after the CBR hiked key rate by 50bp to 5.50% in response to higher than expected inflation and core inflation - which both stood at 6.0% y/y in May and currently are exactly 2pp above the CBR inflation target. CBR will probably hike rates again in July. The ruble strength was measured on Friday as the expectations for a hike have been building for some time now - only MTD USDRUB fell by 2.5%, while on Friday the falls were additionally cushioned by a stronger USD. Forint lost its downward momentum and on Friday EURHUF increased by 0.2% to 346.7. EURCZK has not changed much (25.33) however has traded lower intraday.

On the **domestic interest rate market**, there were large declines of FRA rates (e.g. 9x12 by 10bp to 0.57%) and IRS rates (by 7-10bp along the curve). At the same time government bond yields moved lower but only marginally and the belly of the curve remained in place (5Y at 1.21%). This means that the 10Y ASW spread turned positive after almost half a year of sub-zero readings. What can be surprising is the fact that the adjustment was based on falling IRS rates rather than bonds getting cheaper, as was the case so far. At the market close the spread was +3bp. 5Y ASW also widened and reached -5bp. The Bund spread was 200bp.

At the Friday **switch auction** the Ministry of Finance bought PS0721, DS1021, PS0422 bonds for circa PLN6.5bn and sold OK0423, PS1026, DS0432 fixed coupon bonds as well as WZ1126, WZ1131 floaters for PLN6.8bn.

#### 10Y ASW turned positive again



Source: Refinitiv Datastream, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 22 534 18 87  
 Marcin Luzziński +48 22 534 18 85  
 Wojciech Mazurkiewicz +48 22 534 18 86  
 Grzegorz Ogonek +48 22 534 18 84

NBP Glapiński conference was long. Here is the link:  
[https://www.santander.pl/regulation\\_file\\_server/time20210611170523/download?id=163105&lang=en\\_US](https://www.santander.pl/regulation_file_server/time20210611170523/download?id=163105&lang=en_US)

**FX market**

Today's opening			
EURPLN	4.4941	CZKPLN	0.1767
USDPLN	3.7145	HUFPLN*	1.2779
EURUSD	1.2100	RUBPLN	0.0516
CHFPLN	4.1323	NOKPLN	0.4455
GBPPLN	5.2382	DKKPLN	0.6044
USDCNY	6.3967	SEKPLN	0.4459

\*for 100HUF

Last session in the FX market						11/06/2021
	min	max	open	close	fixing	
EURPLN	4.464	4.493	4.471	4.487	4.472	
USDPLN	3.664	3.714	3.669	3.708	3.676	
EURUSD	1.209	1.220	1.219	1.210	-	

**Interest rate market** 11/06/2021

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.33	-4
DS0725 (5Y)	1.22	-4
DS1030 (10Y)	1.73	-5

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.38	-5	0.14	0	-0.54	1
2L	0.69	-10	0.22	0	-0.49	0
3L	0.95	-10	0.41	2	-0.43	0
4L	1.13	-13	0.61	3	-0.37	0
5L	1.27	-13	0.81	3	-0.31	0
8L	1.57	-11	1.24	3	-0.08	0
10L	1.70	-10	1.42	3	0.06	0

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	-1
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	0.22	-1
3x6	0.28	-4
6x9	0.41	-9
9x12	0.60	-7
3x9	0.33	-9
6x12	0.53	-8

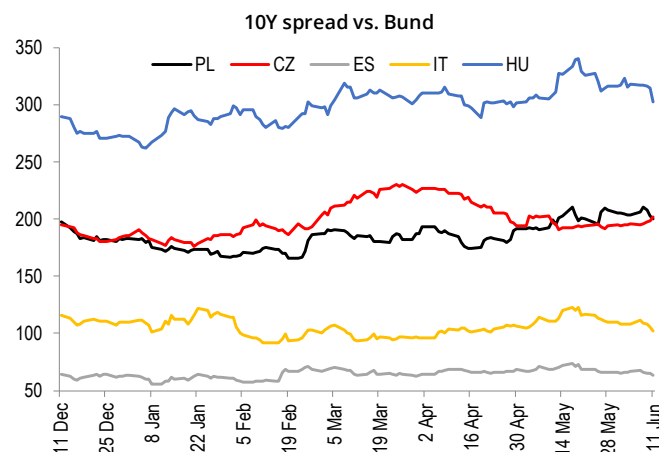
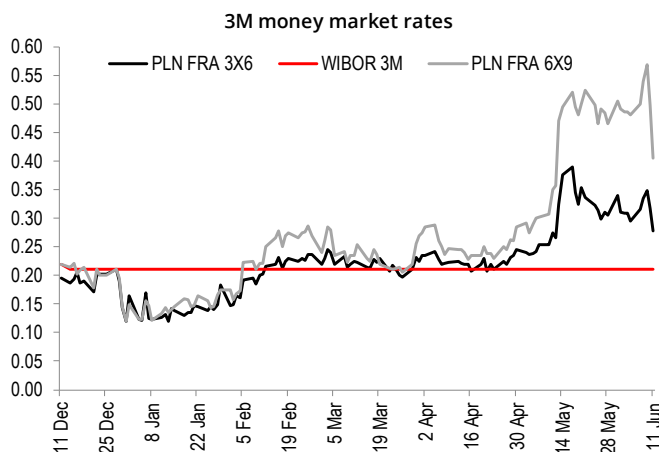
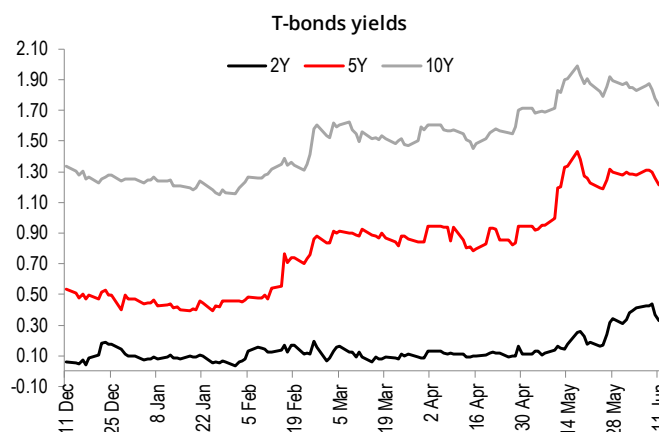
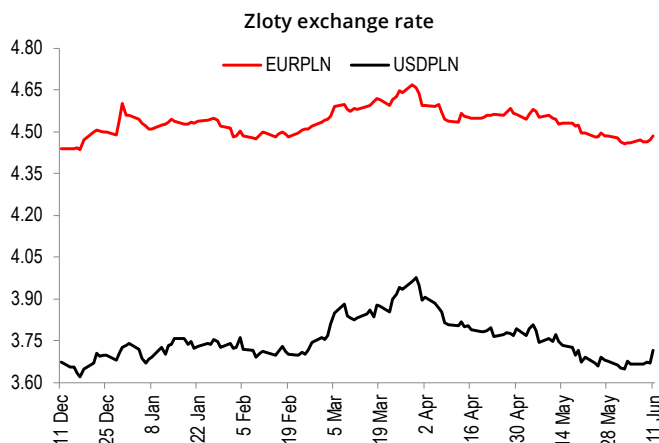
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	200	-3
France	10	0	37	0
Hungary	64	0	303	-12
Spain	34	-1	64	-1
Italy	43	-1	102	-3
Portugal	20	0	63	-2
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			
<b>FRIDAY (11 June)</b>								
16:00	US	Michigan index	Jun	pts	84.4	86,4	82.9	
<b>MONDAY (14 June)</b>								
11:00	EZ	Industrial Production SA	Apr	% m/m	0.4	-	0.1	
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Apr</b>	<b>€mn</b>	<b>996.7</b>	<b>1720.7</b>	<b>-</b>	<b>938.0</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Apr</b>	<b>€mn</b>	<b>300.0</b>	<b>712.0</b>	<b>-</b>	<b>589.0</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Apr</b>	<b>€mn</b>	<b>22610.0</b>	<b>22782.0</b>	<b>-</b>	<b>24427.0</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Apr</b>	<b>€mn</b>	<b>22378.0</b>	<b>22065.0</b>	<b>-</b>	<b>23838.0</b>
<b>TUESDAY (15 June)</b>								
08:00	DE	HICP	May	% m/m	0.3	-	0.3	
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>May</b>	<b>% y/y</b>	<b>4.8</b>	<b>4.8</b>	<b>-</b>	<b>4.8</b>
14:30	US	Retail Sales Advance	May	% m/m	-0.4	-	0.0	
15:15	US	Industrial Production	May	% m/m	0.6	-	0.55	
<b>WEDNESDAY (16 June)</b>								
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>May</b>	<b>% y/y</b>	<b>4.1</b>	<b>4.0</b>	<b>-</b>	<b>3.9</b>
14:30	US	Housing Starts	May	% m/m	5.2	-	-9.5	
20:00	US	FOMC decision	Jun/21		0.25	-	0.25	
<b>THURSDAY (17 June)</b>								
11:00	EZ	HICP	May	% y/y	2.0	-	2.0	
14:30	US	Initial Jobless Claims	Jun/21	k	370.0	-	376.0	
14:30	US	Index Philly Fed	Jun		30.5	-	31.5	
<b>FRIDAY (18 June)</b>								
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>May</b>	<b>% y/y</b>	<b>2.5</b>	<b>2.5</b>	<b>-</b>	<b>0.9</b>
<b>10:00</b>	<b>PL</b>	<b>Average Gross Wages</b>	<b>May</b>	<b>% y/y</b>	<b>10.5</b>	<b>10.2</b>	<b>-</b>	<b>9.9</b>

Source: Santander Bank Polska, Bloomberg, Parkiet

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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.