

# Weekly Economic Update

## An eventful start of May

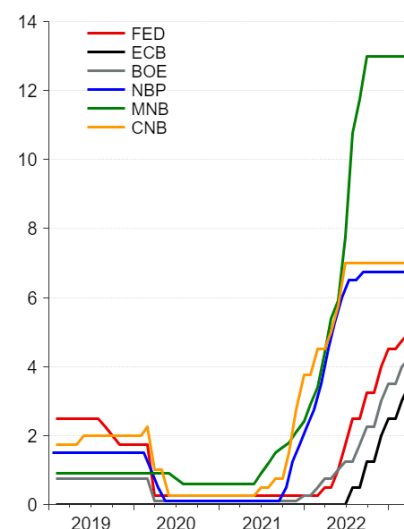
### Economy next week

- The first week of May in Poland will be marked by the long weekend and lower market activity, but it promises to be quite busy for financial markets around the world. Basically every day there will be important news abroad:
- **Monday:** in Poland and in most countries in Europe the Labour Day and a market holiday, but in the US the markets will be open, April PMI and ISM data in US manufacturing will be out, among other releases.
- **Tuesday:** publication of April **manufacturing PMI indices** for China and Europe (including Poland), preliminary April inflation in the Eurozone, industrial orders in the US.
- **Wednesday:** market holiday in Poland and Japan, the rest of the world is at work; the calendar includes the Czech central bank decision (rates probably unchanged), US publications: ADP employment report, ISM in services, and **in the evening the FOMC decision** (expected 25bp rate hike, which may be the last in the cycle).
- **Thursday:** services PMIs in many countries, **ECB decision in the afternoon** (50bp hike expected, which may not yet be the bank's last word on policy tightening).
- **Friday:** German industrial orders, Eurozone retail sales among others, **April US labour market report** in the afternoon (non-farm payrolls, wages, unemployment).
- All in all, in the coming week there will be many signals that could shape investors' expectations about the economic and monetary policy outlook in the US and Europe. The pool of information that has emerged in recent days and weeks has continued to be highly ambiguous: global growth is seemingly decelerating, but consumer demand and labour markets are holding up quite well, inflation is coming off its peaks but core inflation remains stubborn, industrial sentiment has deteriorated in many countries but is clearly improving in services, corporate earnings for the first quarter have surprised rather positively, but a tighter squeeze on credit supply by the commercial banking sector still cannot be ruled out. This does not, for the time being, make us reject the conviction that the major economies are still on a soft landing trajectory that will not extinguish inflationary pressures significantly. We should find out in the coming days how this situation is assessed by the Fed and the ECB.

### Markets next week

- **After such a strong drop in EURPLN that has taken place in the last two weeks, an upward correction seems quite likely.** Its scale will depend, among other things, on global sentiment, including the dollar strength. The upward march of the EURUSD is stuck at the level of 1.10, which has so far proved to be a difficult barrier to break, and we see the possibility of a downward rebound. The strengthening of the dollar could be supported by, for example, a more hawkish-than-expected Fed announcement, strong data from the local labour market and/or an increase in fears of a failure to reach a timely agreement on raising the US debt ceiling (resulting in a risk-off mood).
- The new data and the central bank announcements will lead the way for debt markets. Since mid-March, when bonds gained strongly on a wave of bank stability concerns, there has been a gradual trend of yields bouncing upwards in the core markets (albeit amid high volatility). If the Fed/ECB do not send surprisingly dovish signals, but rather try to reinforce their current message that it is far too early to think about rate cuts, the trend should continue. **Domestic bonds, in the absence of local players during the early May holiday break, should follow developments in the core markets.**

### Central banks' main interest rates, %

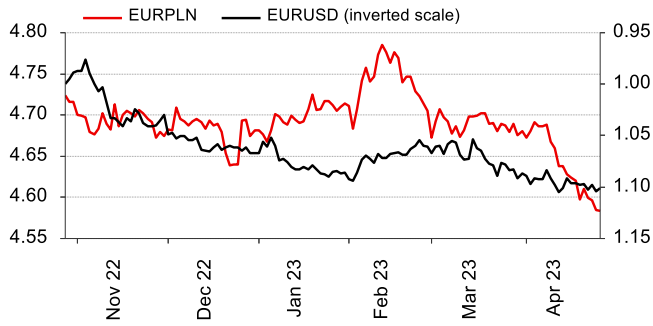


Source: Refinitiv Datastream, Santander

### Economic Analysis Department:

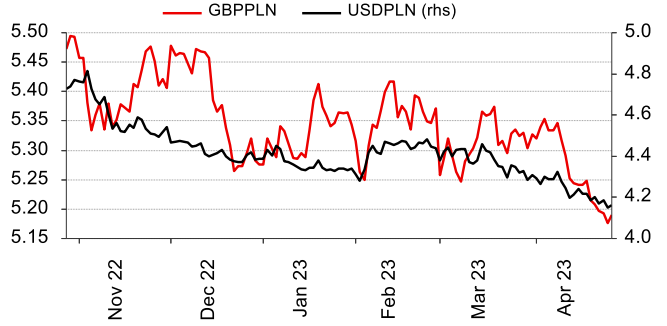
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**EURPLN and EURUSD**



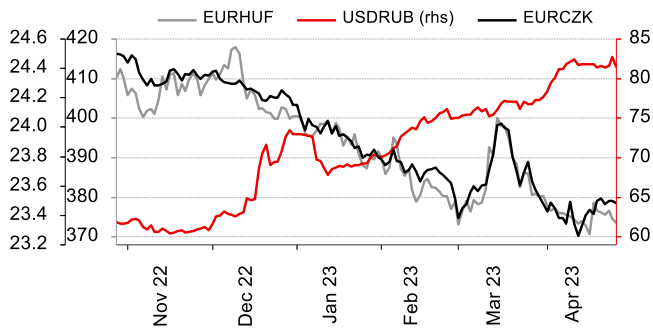
Source: Refinitiv Datastream, Santander

**GBPPLN and USDPLN**



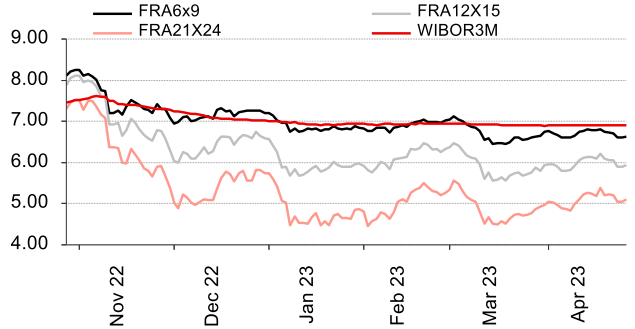
Source: Refinitiv Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



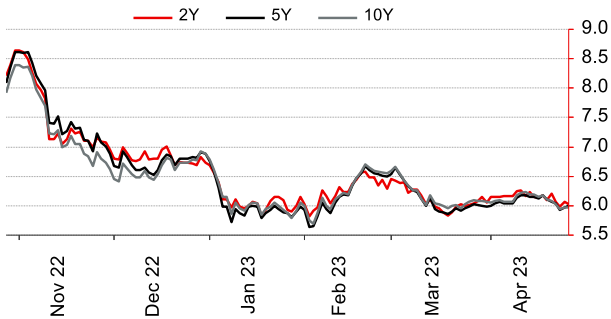
Source: Refinitiv Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



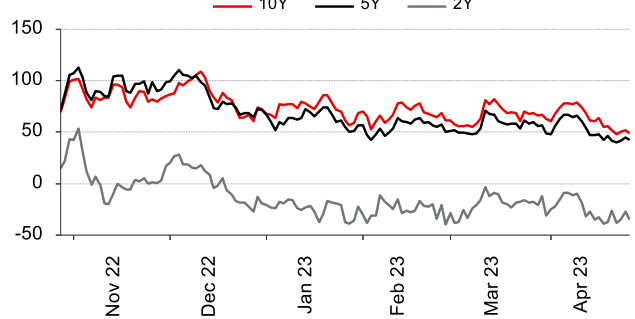
Source: Refinitiv Datastream, Santander Bank Polska

**Polish bond yields**



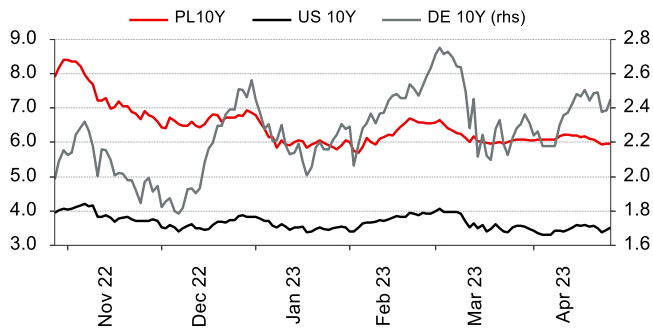
Source: Refinitiv Datastream, Santander Bank Polska

**Asset swap spreads**



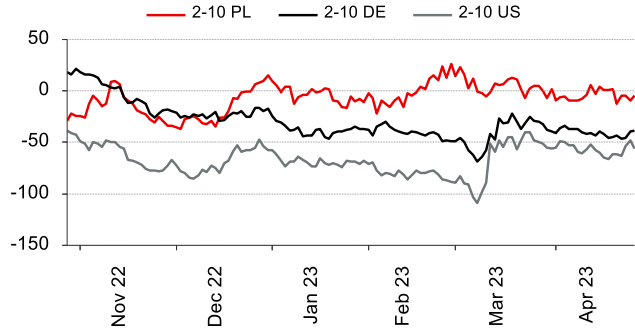
Source: Refinitiv Datastream, Santander Bank Polska

**10Y bond yields**



Source: Refinitiv Datastream, Santander

**Steepness of yield curves**



Source: Refinitiv Datastream, Santander Bank Polska

## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDER	
<b>MONDAY (1 May)</b>						
16:00	US	ISM manufacturing	Apr	pts	46.8	46.3
	PL	<b>Labour Day</b>				
<b>TUESDAY (2 May)</b>						
08:00	DE	Retail Sales	Mar	% m/m	0.4	-0.4
09:00	CZ	GDP SA	1Q	% y/y	-0.4	0.3
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Apr</b>	<b>pts</b>	<b>47.8</b>	<b>47.9</b>
09:55	DE	Germany Manufacturing PMI	Apr	pts	44.0	44.0
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	45.5	45.5
11:00	EZ	Flash HICP	Apr	% y/y	7.0	6.9
16:00	US	Durable Goods Orders	Mar	% m/m	0.0	3.2
16:00	US	Factory Orders	Mar	% m/m	1.4	-0.7
<b>WEDNESDAY (3 May)</b>						
11:00	EZ	Unemployment Rate	Mar	%	6.6	6.6
14:15	US	ADP report	Apr	k	140.0	145.0
14:30	CZ	Central Bank Rate Decision	May.23		7.0	7.0
16:00	US	ISM services	Apr	pts	51.9	51.2
20:00	US	FOMC decision	May.23		5.25	5.0
	PL	<b>Constitution Day</b>				
<b>THURSDAY (4 May)</b>						
08:00	DE	Exports SA	Mar	% m/m	-2.35	4.2
09:55	DE	Markit Germany Services PMI	Apr	pts	55.7	55.7
10:00	EZ	Eurozone Services PMI	Apr	pts	56.6	56.6
14:15	EZ	ECB Main Refinancing Rate	May.23	%	3.75	3.5
14:30	US	Initial Jobless Claims	Apr.23	k	245.0	230.0
<b>FRIDAY (5 May)</b>						
03:45	CN	Caixin China PMI Services	Apr	pts	57.3	57.8
08:00	DE	Factory Orders	Mar	% m/m	-2.45	4.8
08:30	HU	Industrial Production SA	Mar	% y/y	-2.85	-4.6
11:00	EZ	Retail Sales	Mar	% m/m	-0.3	-0.8
14:30	US	Change in Nonfarm Payrolls	Apr	k	180.0	236.0
14:30	US	Unemployment Rate	Apr	%	3.6	3.5

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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