

Eyeopener

ECB raised rates by 25bp, and this is not the end

Today, US labour market report for April
 ECB raised interest rates by 25bp and signalled it's no time for a pause
 Rebound in credit demand in Poland, yet banks' credit standards tightening
 EURUSD lower after ECB meeting, EURPLN stable, bond yields down

Today, the US labour market report for April is due. Market expectations according to Bloomberg suggest a deceleration in employment growth. However, Wednesday's solid ADP report and the employment components of ISM indexes for manufacturing and services (both above 50 points in April) suggest that the US labour market continues to show resilience. Strong data today would help markets take a different view of the Fed chairman's critical assessment of the market valuation of US rate cuts already this year. German industrial orders data for March have already been released this morning and, like Thursday's export performance data, show that the sector is not recovering yet (the fall was much deeper than forecast). China's services PMI index, after strong gains for the first three months of the year, retreated more than expected in April but, unlike the industrial index, is still well above the neutral 50 point level.

The ECB raised rates by 25bp, with some members suggesting a 50bp hike. A hawkish touch is the announcement that the reinvestment of funds obtained from the asset purchase programme will be stopped from July. Another hawkish element is the assessment of the economic situation: the ECB still believes that inflation will remain too high for too long, price pressures are strong and wage pressures have intensified. The post-meeting statement recognises the problems of the industrial sector and the downside risks to growth in the event of further market stress, but also highlights the strength of the service sector and households. According to Christine Lagarde, it is clear that the ECB cannot take a pause in monetary tightening as the level of rates is still not restrictive enough.

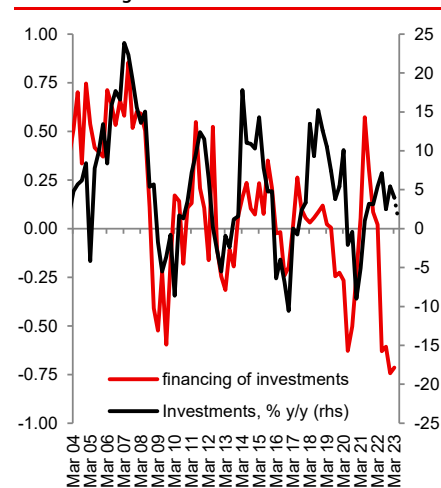
According to NBP credit survey, in 1Q banks operating in Poland tightened their credit policy regarding consumer credit and to some extent also SMEs in response to worse economic outlook and some deterioration in portfolio quality, while loosening access to mortgage loans (implementation of less restrictive guidelines of the financial supervisor). Companies significantly reduced their long-term credit demand in 1Q for the fourth quarter running because of reduced demand for financing of fixed investments. Banks feel that the investment-related demand will be even more depressed in 2Q. Corporate demand for short-term loans did not change, but at the same time, unlike in previous quarters, the survey did not register any rise in demand for financing of working capital. Banks reported a rebound in demand for mortgage loans triggered by looser credit policy and the housing market outlook, and expect the demand to strengthen more in 2Q. Demand for consumer credit did not change much q/q, but this is a positive result after two quarters of negative signals, and banks see prospects for improvement in 2Q. In general, banks prepare to tighten credit policy in 2Q, but also expect to see more demand in that period, especially from households.

EURUSD: The euro weakened in reaction to the ECB's 25bp rate hike (while not long ago the market was expecting a 50bp move). This was supported by a fall in EUR swap rates and a widening of the spread between US and German bond yields. EURUSD fell from ca. 1.11 below 1.10, but started to bounce back upwards after the close of the European session. US labour market data may support the dollar this afternoon, unless shows a disappointment.

CEE currencies: The stronger dollar did not hurt the region's currencies, which gained slightly against the previous business day, although the zloty was the weakest performer in the region after strengthening in recent weeks, with EURPLN remaining near 4.58-59.

Interest rate market: The domestic bond curve declined by 10-14 bps, supported by declines in core markets in reaction to the results of the Fed and ECB meetings and the dovish tone of the MPC representatives' statements over the long weekend.

Signals from NBP credit survey and real investment growth



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.5872	CZKPLN	0.1956
USDPLN	4.1576	HUFPLN*	1.2288
EURUSD	1.1034	RUBPLN	0.0535
CHFPLN	4.6953	NOKPLN	0.3905
GBPPLN	5.2431	DKKPLN	0.6157
USDCNY	6.9117	SEKPLN	0.4071

*for 100HUF

Last session in the FX market 04/05/2023

	min	max	open	close	fixing
EURPLN	4.5795	4.5915	4.5870	4.5842	4.5868
USDPLN	4.1326	4.1719	4.1398	4.1650	4.1547
EURUSD	1.0984	1.1091	1.1081	1.1006	-

Interest rate market 04/05/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.76	-15
WS0428 (5Y)	5.76	-8
DS1033 (10Y)	5.78	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.65	-5	4.86	-4	3.56	-8
2L	6.04	-11	4.02	-6	3.35	-10
3L	5.57	-12	3.66	-7	3.07	-11
4L	5.33	-13	3.49	-3	2.98	-5
5L	5.21	-15	3.42	3	2.89	-10
8L	5.13	-14	3.37	3	2.86	-6
10L	5.16	-13	3.38	2	2.89	-4

WIBOR rates

Term	%	Change (bps)
O/N	6.73	4
T/N	6.73	1
SW	6.82	2
2W	6.81	4
1M	6.85	1
3M	6.90	0
6M	6.95	0
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.85	-1
3x6	6.72	-4
6x9	6.40	-5
9x12	5.93	-10
3x9	6.75	-4
6x12	6.39	-5

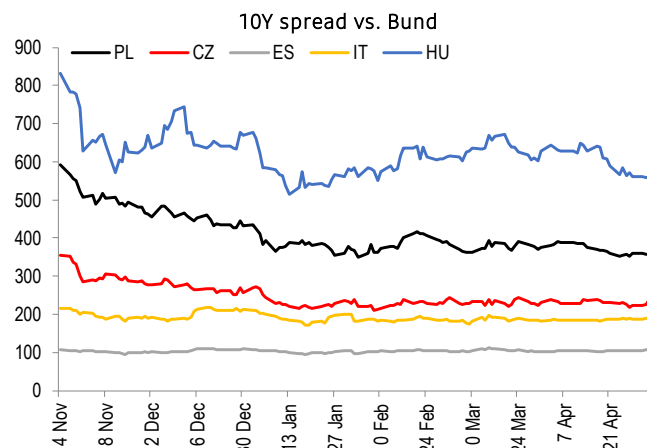
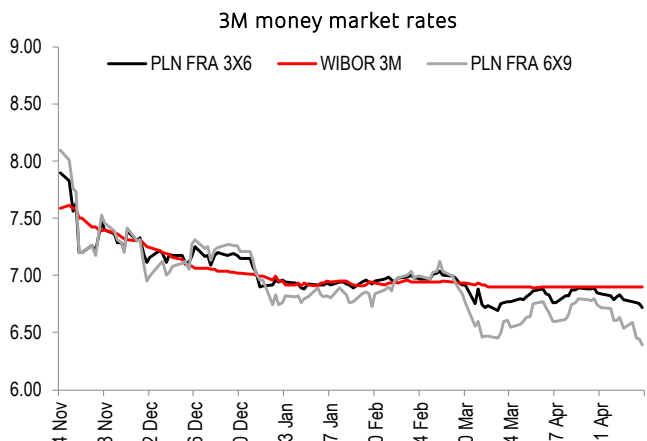
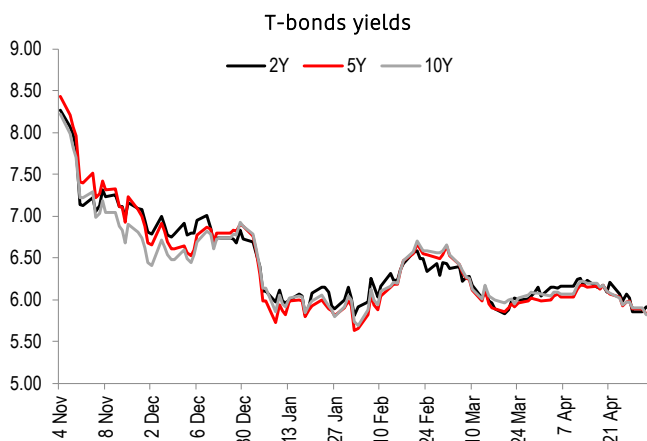
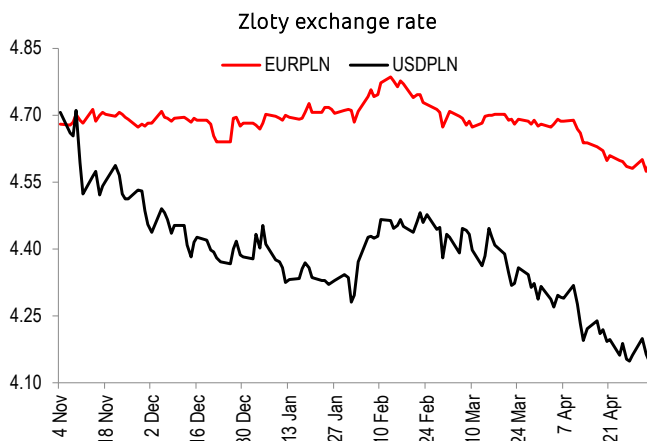
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	90	0	358	1
France	15	0	61	2
Hungary	172	0	561	1
Spain	55	1	110	3
Italy	49	1	193	5
Portugal	40	1	87	1
Ireland	20	0	46	2
Germany	11	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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (28 April)								
10:00	PL	CPI	Apr	% y/y	15.0	15.4	14.7	16.1
10:00	DE	GDP WDA	1Q	% y/y	0.3		-0.1	0.8
11:00	EZ	GDP SA	1Q	% y/y	1.4		1.3	1.8
14:00	DE	HICP	Apr	% m/m	0.8		0.6	1.1
14:30	US	Personal Spending	Mar	% m/m	-0.1		0.0	0.1
14:30	US	Personal Income	Mar	% m/m	0.2		0.3	0.3
14:30	US	PCE Deflator SA	Mar	% m/m	0.1		0.1	0.3
16:00	US	Michigan index	Apr	pts	63.5		63.5	62.0
MONDAY (1 May)								
16:00	US	ISM manufacturing	Apr	pts	46.8		47.1	46.3
TUESDAY (2 May)								
08:00	DE	Retail Sales	Mar	% m/m	0.4		-2.4	-0.3
09:00	CZ	GDP SA	1Q	% y/y	-0.5		-0.2	0.3
09:00	PL	Poland Manufacturing PMI	Apr	pts	47.9	47.9	46.6	48.3
09:55	DE	Germany Manufacturing PMI	Apr	pts	44.0		44.5	44.7
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	45.5		45.8	47.3
11:00	EZ	Flash HICP	Apr	% y/y	6.9		7.0	6.9
16:00	US	Durable Goods Orders	Mar	% m/m	3.2		3.2	-1.2
16:00	US	Factory Orders	Mar	% m/m	1.2		0.9	-1.1
WEDNESDAY (3 May)								
11:00	EZ	Unemployment Rate	Mar	%	6.6		6.5	6.6
14:15	US	ADP report	Apr	k	140		296	145
14:30	CZ	Central Bank Rate Decision			7.00		7.00	7.00
16:00	US	ISM services	Apr	pts	51.9		51.9	51.2
20:00	US	FOMC decision			5.25		5.25	5.00
THURSDAY (4 May)								
08:00	DE	Exports SA	Mar	% m/m	-2.2		-5.2	4.0
09:55	DE	Markit Germany Services PMI	Apr	pts	55.7		56.0	53.7
10:00	EZ	Eurozone Services PMI	Apr	pts	56.6		56.2	55.0
14:15	EZ	ECB Main Refinancing Rate	May.23	%	3.75		3.75	3.50
14:30	US	Initial Jobless Claims	Apr.23	k	245		242	229
FRIDAY (5 May)								
03:45	CN	Caixin China PMI Services	Apr	Pts	57.3		56.4	57.8
08:00	DE	Factory Orders	Mar	% m/m	-2.5		-10.7	4.8
08:30	HU	Industrial Production SA	Mar	% y/y	-2.8		-4.0	-4.6
11:00	EZ	Retail Sales	Mar	% m/m	-0.3		-	-0.8
14:30	US	Change in Nonfarm Payrolls	Apr	k	180		-	236
14:30	US	Unemployment Rate	Apr	%	3.6		-	3.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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