

7 May 2025

Eyeopener

Will the MPC deliver today the well-flagged rate cut?

Today the MPC decision - market expects a 50bp decrease, FOMC unlikely to cut rates

According to Bloomberg, EU plans to impose additional tariffs on US goods

April unemployment rate estimated at 5.2%

Zloty somewhat weaker, Polish bonds marginally stronger

Today, the Monetary Policy Council will decide on the level of interest rates. Statements made by Council members after the last policy meeting suggest that a rate cut is almost certain, and only the scale and the character of the cut remain open questions. Both in our view and according to the market consensus, the scale of the cut should be 50 bp, which would bring the reference rate to 5.25%. However, we do not expect the communication following the Council's decision to indicate that the May cut is the start of a series of moves. The US and Czech central banks will also decide on the level of interest rates today, but only the latter is expected by the market to loosen monetary policy. In addition, we will see March data on industrial production in Czechia and retail sales in the euro area. In the morning, March data on industrial orders in Germany have already been released (a much stronger m/m rebound than the market had expected). Overnight, there was news confirmed by both sides that the first US-China talks since the countries' mutual imposition of tariffs in excess of 100% are due to take place on Saturday. China's central bank cut the 5-day reverse repo rate by 10 bp to 1.40% and the bank reserve requirement rate by 50 bp to 9% (both were previously cut last September). These are steps towards stimulating economic growth.

The Ministry of Labour, Family and Social Policy estimates that the registered unemployment rate stood at 5.2% in April, in line with our and the market's expectations. This represents a decrease of 0.1pp against March and an increase of 0.1pp against last April. The m/m drop in the number of unemployed turned out to be larger than we had expected (-25k instead of -19k) and was almost identical to the April figures from the previous two years, although the March m/m change departed from previous years' results in the direction of higher unemployment.

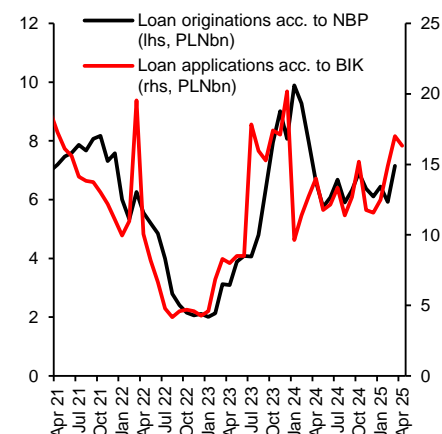
The value housing loans applications amounted to PLN16.3bn in April, slightly below PLN17.0bn recorded in March, as reported by BIK (Credit Information Bureau). The worth of average application also fell slightly, to PLN458.1k from PLN460.1k. Despite the slightly weaker data than in March, BIK's latest figures indicate a continuation of the slight recovery in demand seen in March's NBP data and are consistent with monthly home loan sales of around PLN 6-7bn. On a y/y basis, the value of loan applications rose by 16.7% and the number of applications by 10.2%.

The European Union is planning to impose additional tariffs on €100bn worth of US goods (roughly 30% of total imports from the USA) if the ongoing trade negotiations fail to produce satisfactory results, Bloomberg reports. So far, the EU has decided to impose tariffs on €21bn worth of US goods in response to the US imposing tariffs on European steel and aluminium, but their entry into force has been delayed.

On Tuesday, the EURPLN exchange rate rose by around 0.3%, from 4.26 above 4.27. The EURHUF exchange rate rose a little more, by nearly 0.4%, and the EURCZK rise was a bit smaller at c. 0.2%. Parallel to the weakening of the CEE region's currencies, there was a depreciation of the dollar against the euro by a little over 0.3%. The euro was supported by upside revisions of April European services PMIs: the Eurozone up 0.4pts to 50.1pts, Germany up 0.2pts to 49.0pts, France up 0.5pts to 47.3pts

Yields on domestic 5- and 10Y bonds fell by 5 bp and 3 bp respectively on Tuesday, while yields on 2Y bonds rose by no more than 1 bp. As a result, the domestic yield curve flattened by around 3 bp. German bond yields rose slightly, in the order of 1-3 bp, with their curve steepening by nearly 3 bp. The US bond yield curve also steepened, by more than 4 bp, with its short end falling by nearly 4 bp and its long end rising by 1 bp. Domestic money market rates registered slight increases, including IRS rates by 0-2 bp and FRA rates by 0-5 bp, both stronger at the long end of the curve.

Applications for housing loans and sales of housing loans



Source: NBP, BIK, Santander

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FX market

Today's opening

EURPLN	4.2735	CZKPLN	0.1710
USDPLN	3.7590	HUFPLN*	1.0459
EURUSD	1.1368	RONPLN	0.8387
CHFPLN	4.5623	NOKPLN	0.3656
GBPPLN	5.0216	DKKPLN	0.5727
USDCNY	7.2267	SEKPLN	0.3917

*for 100HUF

Last session in the FX market

06.05.2025

	min	max	open	close	fixing
EURPLN	4.2605	4.2858	4.2628	4.2748	4.2806
USDPLN	3.7599	3.7889	3.7646	3.7691	3.7789
EURUSD	1.1304	1.1369	1.1323	1.1344	

Interest rate market

06.05.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.41	3
PS0130 (5L)	4.66	-11
DS1034 (10L)	5.31	-5

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	4.49	4.17	1.99
2L	4.03	3.81	1.93
3L	3.91	3.74	2.00
4L	3.92	3.75	2.09
5L	3.96	3.79	2.17
8L	4.16	3.94	2.38
10L	4.32	4.02	2.48

WIBOR rates

Term	%	Change (bps)
O/N	5.79	2
T/N	5.80	1
SW	5.57	-10
1M	5.55	-1
3M	5.35	-1
6M	5.03	-2
1Y	4.87	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4.85	-5
3x6	4.44	1
6x9	4.07	1
9x12	3.77	3
3x9	4.25	0
6x12	3.92	2

CDS rates and 10Y yield spread vs. German Bund

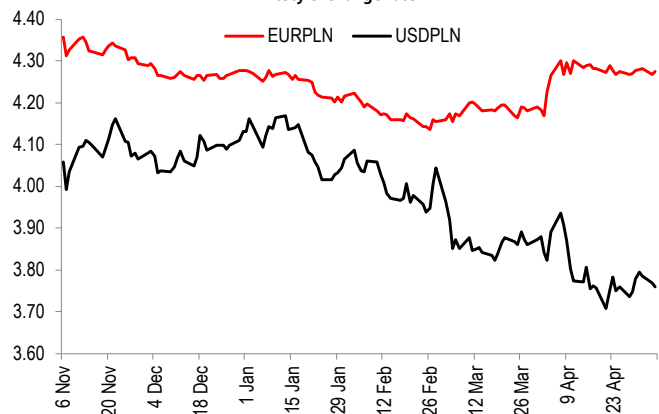
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	75	278
France	20	72
Hungary	135	444
Spain	36	65
Italy	25	110
Portugal	18	54
Ireland	15	38
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

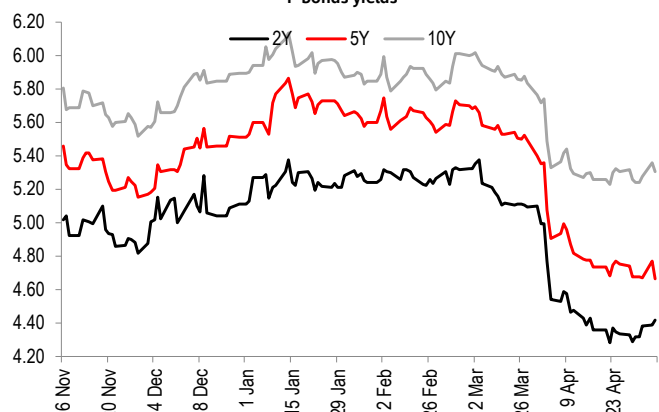
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

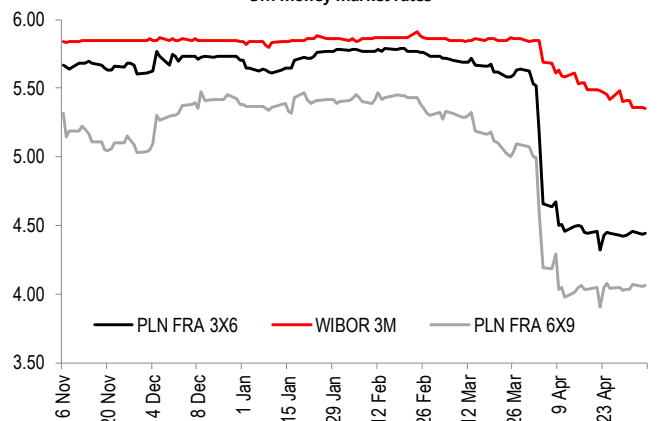
Zloty exchange rate



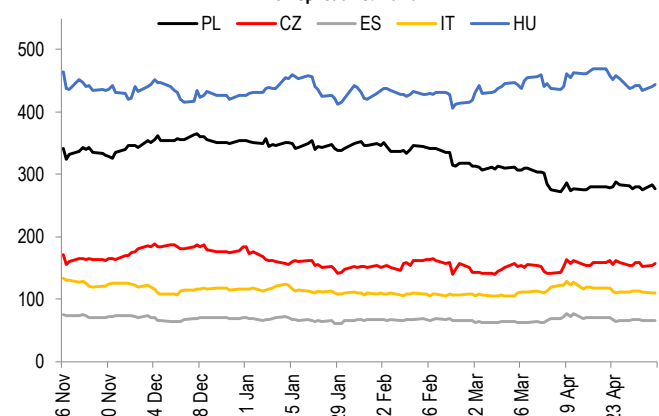
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
WEDNESDAY (30 April)								
08:00	DE	Retail Sales	Apr	% m/m	-0.4	-	-0.2	0.2
08:30	HU	GDP	1Q	% y/y	0.4	-	0.0	0.4
09:00	CZ	GDP SA	1Q	% y/y	2.0	-	2.0	1.8
10:00	PL	CPI	Apr	% y/y	4.3	4.2	4.2	4.9
10:00	DE	GDP WDA	1Q	% y/y	-0.2	-	-0.2	-0.2
11:00	EZ	GDP SA	1Q	% y/y	1.1	-	1.2	1.2
14:00	DE	HICP	Apr	% m/m	0.4	-	0.5	0.4
14:15	US	ADP report	Apr	k	125	-	62	147
14:30	US	GDP Annualized	1Q	% Q/Q	0.3	-	-0.3	2.4
16:00	US	Personal Spending	Mar	% m/m	0.6	-	0.7	0.5
16:00	US	Personal Income	Mar	% m/m	0.4	-	0.5	0.7
16:00	US	Pending Home Sales	Mar	% m/m	1.0	-	6.1	2.1
16:00	US	PCE Deflator SA	Mar	% m/m	0.0	-	0.0	0.4
THURSDAY (1 May)								
14:30	US	Initial Jobless Claims	Apr	k	223	-	241	223
16:00	US	ISM manufacturing	Apr	pts	47.9	-	48.7	49.0
FRIDAY (2 May)								
09:00	PL	Poland Manufacturing PMI	Apr	pts	50.3	50.1	50.2	50.7
09:55	DE	Germany Manufacturing PMI	Apr	pts	48.0	-	48.4	48.0
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	48.7	-	49.0	48.7
11:00	EZ	Flash HICP	Apr	% y/y	2.1	-	2.2	2.2
11:00	EZ	Unemployment Rate	Mar	%	6.1	-	6.2	6.2
14:30	US	Change in Nonfarm Payrolls	Apr	k	138	-	177	185
14:30	US	Unemployment Rate	Apr	%	4.2	-	4.2	4.2
16:00	US	Durable Goods Orders	Mar	% m/m	9.2	-	9.2	9.2
16:00	US	Factory Orders	Mar	% m/m	4.5	-	4.3	0.6
MONDAY (5 May)								
16:00	US	ISM services	Apr	pts	50.3	-	51.6	50.8
TUESDAY (6 May)								
03:45	CN	Caixin China PMI Services	Apr	pts	51.8	-	50.7	51.9
09:00	CZ	CPI	Apr	% y/y	2.1	-	1.8	2.7
09:55	DE	Markit Germany Services PMI	Apr	pts	48.8	-	49.0	50.9
10:00	EZ	Eurozone Services PMI	Apr	pts	49.7	-	50.1	51.0
WEDNESDAY (7 May)								
	PL	MPC decision		%	5.25	5.25	-	5.75
08:00	DE	Factory Orders	Mar	% m/m	1.3	-	3.6	0.0
09:00	CZ	Industrial Production	Mar	% y/y	3.1	-	-	-1.4
11:00	EZ	Retail Sales	Mar	% m/m	-0.1	-	-	0.3
14:30	CZ	Central Bank Rate Decision	May	%	3.50	-	-	3.75
20:00	US	FOMC decision	May	%	4.50	-	-	4.50
THURSDAY (8 May)								
08:00	DE	Exports SA	Mar	% m/m	1.1	-	-	1.9
08:00	DE	Industrial Production SA	Mar	% m/m	1.0	-	-	-1.3
08:30	HU	Industrial Production SA	Mar	% y/y	-5.0	-	-	-8.0
FRIDAY (9 May)								
08:30	HU	CPI	Apr	% v/y	4.0	-	-	4.7

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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