29 May 2025

Eyeopener

US trade court says most of Trump's tariffs are illegal

- Today, second release of the US 1Q GDP
- US trade court says most of Trump's tariffs are illegal
- Fed is in good position to wait, according to FOMC minutes from May meeting
- Zloty slightly stronger, debt market stable after the auction

Today, we will see the second estimate of US GDP in 1Q25. According to the first estimate, the US economy contracted by 0.3% q/q on an annualised basis, in a significant part due to a sharp deterioration in net exports, which may have been related to increased pre-tariff purchases. This effect is also likely to be seen at least in 2Q25. In the US, there will also be data on initial jobless claims last week and pending home sales in April.

The US Court of International Trade ruled that most of the tariffs announced by US President Donald Trump on the so-called "liberation day" were illegal. According to the court, the US president exceeded his authority by imposing tariffs on other countries under the International Emergency Economic Powers Act, while under the US Constitution only the Congress has the power to regulate trade with other countries. The Trump administration has appealed the ruling.

According to the minutes of the last FOMC meeting, a cautious approach in monetary policy is justified, and the Fed is in a good position to wait for more clarity on the economic outlook in the US, given good labour market conditions and still solid economic growth. Fed members were surprised by the magnitude of volatility in the trade policy of the new US administration and by the uncertainty this has generated. They also warned that the erosion of the US's status as a safe haven through controversial trade policies could have long-term negative effects on the US economy.

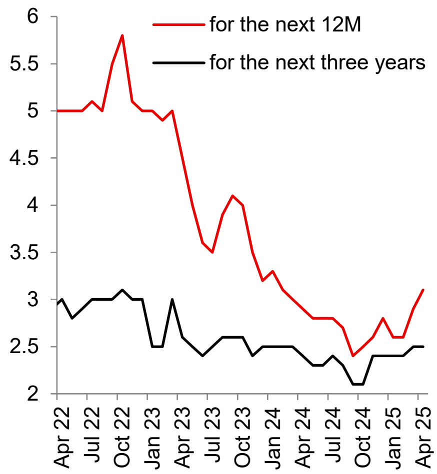
Minister of Funds and Regional Policy Katarzyna Pełczyńska-Nałęcz said during yesterday's conference that the next payment from the RRF, which she expects to be made in the summer once the revision of the Polish Recovery and Resilience Programme is formally completed, will amount to PLN8-12bn. The exact amount is expected to be known within a month and a half.

The April edition of the ECB's consumer survey showed a **further increase in expectations of inflation in the euro area** over the next 12 months, moving them away from the 2% y/y inflation target. Expectations for the next three years are also not in line with the inflation target. For the ECB, therefore, the results for the survey may be an argument for caution when it comes to further policy easing. The market is pricing in the possibility that there could still be a total of 50 bp rate cuts in the euro area this year.

The EURPLN exchange rate registered only minor changes on Wednesday and ended the day slightly below 4.24, resulting in a strengthening of the zloty by c. 0.2% against the euro on an intraday basis. The EURHUF exchange rate also experienced similar changes. The weakest of the region's major currencies was the Czech koruna, which lost a little over 0.1% to the euro. Simultaneously, there was a slight appreciation of the dollar against the euro, by around 0.2%. The strengthening of the dollar is continuing this morning, following the court decision invalidating D.Trump's reciprocal tariffs.

Domestic money market rates and bond yields fell slightly on Wednesday. IRS rates fell by around 2 bp across the curve and FRA rates declined by 0-4 bp, more strongly at the long end of the curve. Domestic bond yields declined by around 1 bp across the curve. Thanks to the auction, at which total demand amounted to nearly PLN12bn, the market was injected with bonds worth PLN9bn (+PLN1.5bn at an additional auction). We estimate that after the auction, gross borrowing needs for this year are covered at around 69%. There were slight increases in yields in the core markets, including in Germany by around 2 bp across the curve and in the US by 0-4 bp with the curve steepening by 4 bp.

ECB consumer inflation expectations, Eurozone, %y/y change of consumer prices



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2347	CZKPLN	0.1697
USDPLN	3.7617	HUFPLN*	1.0420
EURUSD	1.1257	RONPLN	0.8392
CHFPLN	4.5193	NOKPLN	0.3686
GBPPLN	5.0566	DKKPLN	0.5677
USDCNY	7.1975	SEKPLN	0.3886

*for 100HUF

Last session in the FX market **28/05/2025**

	min	max	open	close	fixing
EURPLN	4.2371	4.2525	4.2491	4.2371	4.2447
USDPLN	3.7401	3.7640	3.7588	3.7555	3.7456
EURUSD	1.1281	1.1340	1.1305	1.1284	

Interest rate market **28/05/2025**

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.59	-1
PS0130 (5L)	5.08	-1
DS1034 (10L)	5.55	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.70	-1	4.37	1	1.97	0
2L	4.26	-3	4.04	2	1.95	1
3L	4.15	-2	3.94	3	2.04	1
4L	4.15	-2	3.94	3	2.13	1
5L	4.20	-2	3.97	4	2.20	0
8L	4.38	-3	4.11	3	2.41	1
10L	4.53	-3	4.19	4	2.52	1

WIBOR rates

Term	%	Change (bps)
O/N	5.21	5
T/N	5.32	0
SW	5.32	0
1M	5.36	-3
3M	5.23	0
6M	5.03	1
1Y	4.85	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.10	-1
3x6	4.82	1
6x9	4.39	-1
9x12	4.05	-3
3x9	4.69	3
6x12	4.30	-1

CDS rates and 10Y yield spread vs. German Bund

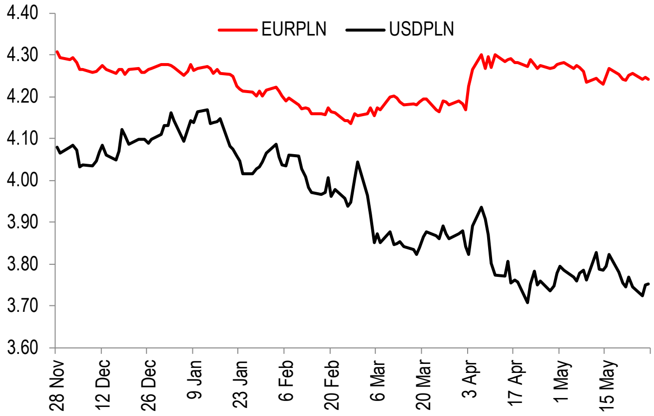
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	0	301	-3
France	19	0	67	-1
Hungary	131	0	451	0
Spain	34	0	60	0
Italy	24	0	100	-1
Portugal	17	0	50	0
Ireland	15	0	30	0
Germany	7	0	-	-

* 10Y treasury bonds over 10Y Bunds

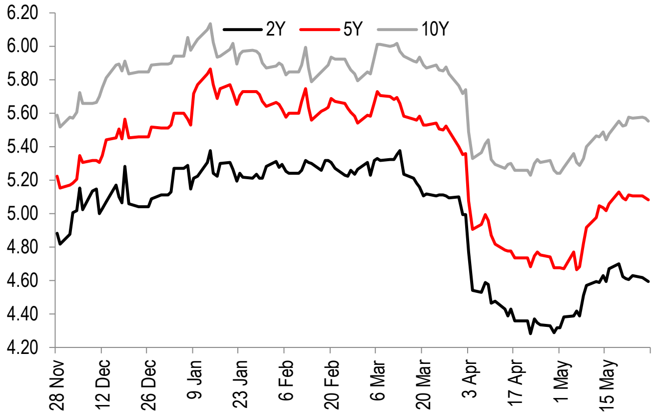
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

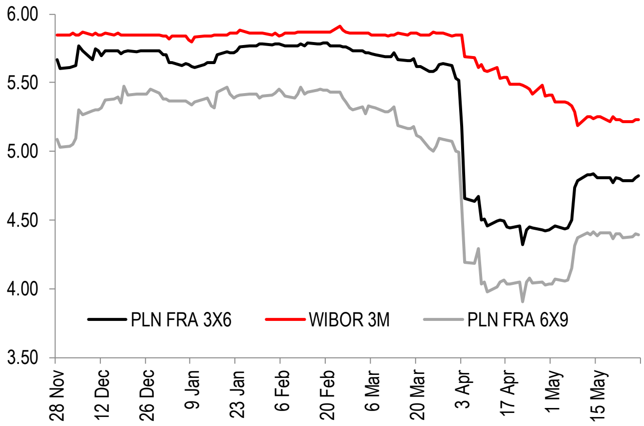
Zloty exchange rate



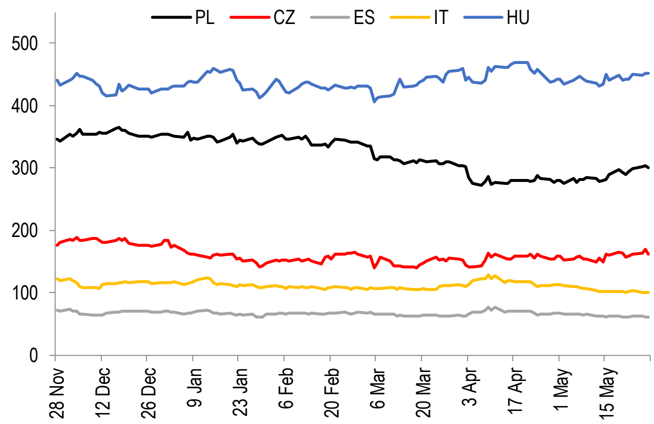
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (23 May)					
08:00	DE	GDP WDA	1Q	% y/y	-0.2	-	0.0	-0.2
14:00	**PL**	**Money Supply M3**	**Apr**	**% y/y**	**9.8**	**10.1**	**10.4**	**10.3**
16:00	US	New Home Sales	Apr	% m/m	-4.0	-	10.9	2.6
			MONDAY (26 May)					
10:00	**PL**	**Retail Sales Real**	**Apr**	**% y/y**	**3.4**	**2.8**	**7.6**	**-0.3**
10:00	**PL**	**Unemployment Rate**	**Apr**	**%**	**5.2**	**5.2**	**5.2**	**5.3**
			TUESDAY (27 May)					
11:00	EZ	ESI	May	pct.	94.0	-	94.8	93.8
14:00	HU	Central Bank Rate Decision	May	%	6.50	-	6.50	6.50
14:30	US	Durable Goods Orders	Apr	% m/m	-7.6	-	-6.3	7.6
16:00	US	Consumer Conference Board	May	pts	87.1	-	98.0	86.0
			WEDNESDAY (28 May)					
20:00	US	FOMC Meeting Minutes	May					
			THURSDAY (29 May)					
14:30	US	GDP Annualized	1Q	% Q/Q	-0.3	-	-	-0.3
14:30	US	Initial Jobless Claims	weekly	k	230	-	-	227
16:00	US	Pending Home Sales	Apr	% m/m	-1.1	-	-	6.1
			FRIDAY (30 May)					
08:00	DE	Retail Sales	Apr	% m/m	0.2	-	-	0.4
09:00	CZ	GDP SA	1Q	% y/y	2.0	-	-	1.8
10:00	**PL**	**CPI**	**May**	**% y/y**	**4.3**	**4.2**	**-**	**4.3**
14:00	DE	HICP	May	% m/m	0.1	-	-	0.5
14:30	US	Personal Spending	Apr	% m/m	0.2	-	-	0.7
14:30	US	Personal Income	Apr	% m/m	0.3	-	-	0.5
14:30	US	PCE Deflator SA	Apr	% m/m	0.1	-	-	0.0
16:00	US	Michigan index	May	pts	50.8	-	-	52.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg
** in the case of a revision the data is updated*