Bank Zachodni WBK
Grupa Santander

EYEOPENER

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Deadline for Greece's payment for the IMF

- **Germany declares readiness to talk with Greece, Swiss central bank intervened in the FX market**
- **Moderate reaction of financial markets after failure of negotiations, risk aversion will hold at least until the Greferendum**
- **Domestic debt under pressure**
- **Today Poland's quarterly balance of payments and inflation expectations, flash HICP in the euro zone, US consumer confidence**

Start of the week on the financial markets passed under the sign of weekend's news from Greece. Failure of negotiations in Brussels was negatively perceived by investors and triggered a selloff of higher-risk assets – stock markets, emerging markets currencies (including zloty) and bonds of CEE countries and euro zone peripheries were all losing value – and at the same time a flow of funds towards lower-risk assets (U.S. and German bonds, Swiss franc). The selloff appeared to be moderate, though, which was probably partly due to the investors' hopes that there is still chance for reaching a compromise solution. German Chancellor Angela Merkel during the meeting of all party officials in Bundestag declared her readiness to continue talks if Athens ask about it (for example, after the Greferendum). European Commission chief Jean-Claude Juncker called Greeks to vote "yes" in the referendum planned on Sunday, i.e. to opt for agreement with creditors. Meanwhile, Greek PM called for "no" vote. He said that European leaders will not dare to kick his country out from the euro zone, as the costs of such operation would be too big. Instead, he believes that "no" vote would give his government a better negotiation position and reach better aid conditions after talks with creditors resume. Today is the deadline for Greece's €1.5bn payment to the IMF. It looks certain that Greece will not make this payment on time.

Macro data released on Monday were overshadowed by news about Greece. Flash inflation readings from Germany and Spain were higher than expected, which suggests that today's data for the euro zone may also surprise to the upside. Meanwhile, U.S. housing market data were slightly weaker than expected (home sales rose 0.9%MoM, and data for the previous month were revised down).

On Monday EURUSD was rising gradually towards 1.12, after temporary drop to 1.095 during the Asian trading hours. Modest euro reaction to events in Greece is a result of hopes that government in Athens may return to negotiations after Sunday referendum. Additionally, slightly weaker data from the U.S. housing market also pushed EURUSD higher. Higher demand for lower-risk assets triggered appreciation of Swiss franc and British pound (EURGBP temporarily fell to 0.698 to end the session slightly below 0.71, EURCHF after drop to 1.032 rose to 1.036). Swiss central bank governor confirmed that the bank was intervening on the FX market overnight, which pushed the EURCHF up to 1.04. Today moods will remain under influence of Greece. Lack of payment to the IMF will not be a surprise, so it should have limited impact on markets. EURUSD is likely to remain in range 1.095-1.128.

The Polish zloty, like other emerging market peers, depreciated visibly as a result of the failure of negotiations between Greece and its creditors. EURPLN, after temporary rising to 4.206, stabilized near 4.19. Significant changes were observed in CHFPLN – the rate reached 4.10 and then dropped to 4.02. CHFPLN ended the Monday's session slightly below 4.05. At night, there were no significant changes in the zloty's quotations. At the beginning of today's session EURPLN is near yesterday's close. Important levels for EURPLN are 4.16 and 4.227.

The domestic interest rate market also lost considerably. In line with our expectations, yield of 10Y bond tested 3.36%, but this level was not broken for good. As compared to Friday's close, the IRS curve shifted up by 1-15bps, while yield curve went up by 4-13bps. Both curves steepened considerably (2-10Y spread widened to 101bps for IRS and 135bps for bonds) due to a more considerable weakening on the longer end. High uncertainty about further events in Greece will maintain IRS and bond yields at elevated levels. Today the Finance Ministry will release T-bond supply plan for Q3 with special focus on offer in July. Taking into account the current coverage of borrowing needs, we think that bond supply will be limited during the summer vacation and will not exceed PLN15bn in total in July-September. High liquidity in July (PLN11bn is inflowing on the market due to buyback of OK0715 and coupon payment) will cause that the bulk of the offer will be seen in July.

Today at 14:00CET the NBP will release balance of payments data for 1Q2015. The likely revisions in data should be of minor importance for the financial market, which will focus instead of data releases abroad and (again) on news about Greece.

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FX market

Today's opening

EURPLN	4.19	CZKPLN	0.1537
USDPLN	3.75	HUFPLN*	1.329
EURUSD	1.1173	RUBPLN	0.0673
CHFPLN	4.0308	NOKPLN	0.4751
GBPPLN	5.8932	DKKPLN	0.5617
USDCNY	6.2047	SEKPLN	0.4543

*for 100HUF

Last session in the FX market 29/06/2015

	min	max	open	close	fixing
EURPLN	4.174	4.204	4.175	4.196	4.1893
USDPLN	3.739	3.824	3.778	3.742	3.7671
EURUSD	1.096	1.122	1.104	1.121	-

Interest rate market 29/06/2015

T-bonds on the interbank market**

Bond (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS1016 (2L)	1.98	2	23.04.2015	OK0717	1.645
DS1019 (5L)	2.77	4	23.04.2015	PS0420	2.083
DS0725 (10L)	3.34	12	12.03.2015	DS0725	2.366

IRS on the interbank market**

Term	PL %	PL Change (bps)	US %	US Change (bps)	EZ %	EZ Change (bps)
1L	1.80	2	0.51	-2	0.08	1
2L	2.02	2	0.89	-5	0.13	0
3L	2.21	4	1.24	-7	0.23	-2
4L	2.39	5	1.54	-8	0.36	-4
5L	2.56	6	1.78	-9	0.52	-5
8L	2.90	9	2.27	-10	0.94	-9
10L	3.02	10	2.46	-11	1.16	-11

WIBOR rates

Term	%	Change (bps)
O/N	1.58	12
T/N	1.61	7
SW	1.62	0
2W	1.63	0
1M	1.66	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.82	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.74	1
3x6	1.77	2
6x9	1.81	3
9x12	1.85	5
3x9	1.84	-1
6x12	1.87	-1

Measures of fiscal risk

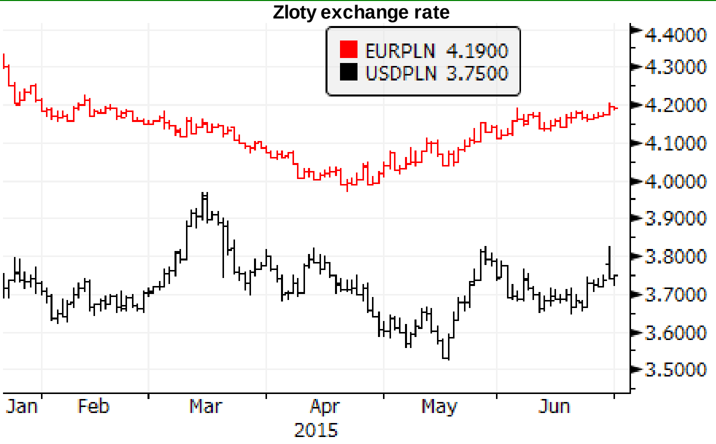
Country	CDS 5Y USD Level	CDS 5Y USD Change (bps)	10Y spread* Level	10Y spread* Change (bps)
Poland	75	5	2.30	-3
Czech Rep.	47	1	0.31	-3
Hungary	160	9	2.91	-9
Spain	108	21	1.19	-1
Italy	132	23	1.23	0
Portugal	184	21	1.78	-3
Ireland	58	7	0.85	13
Germany	16	1	-	-

* 10Y treasury bonds over 10Y Bunds

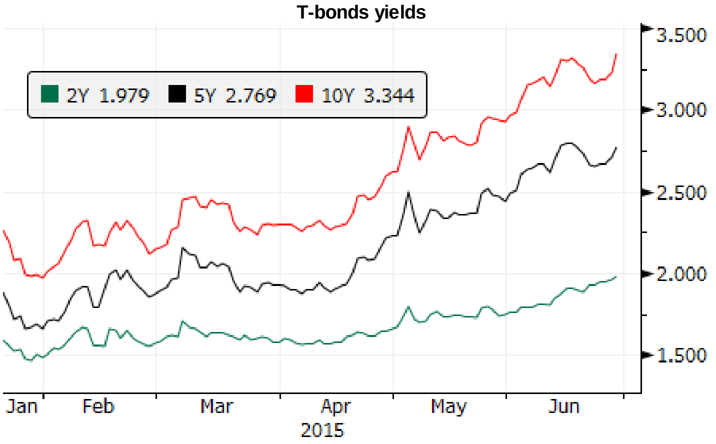
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

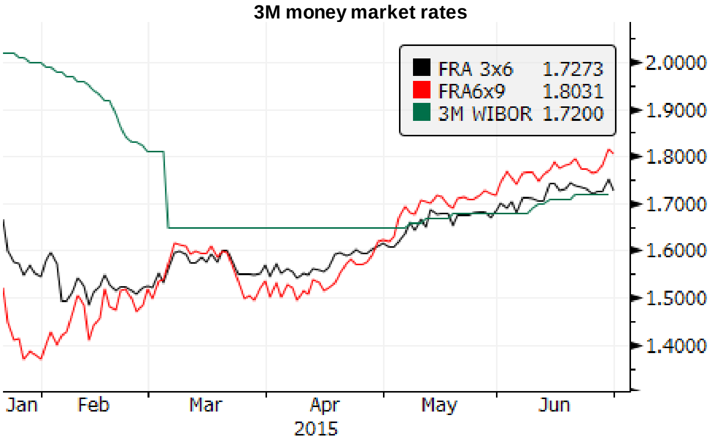
Zloty exchange rate



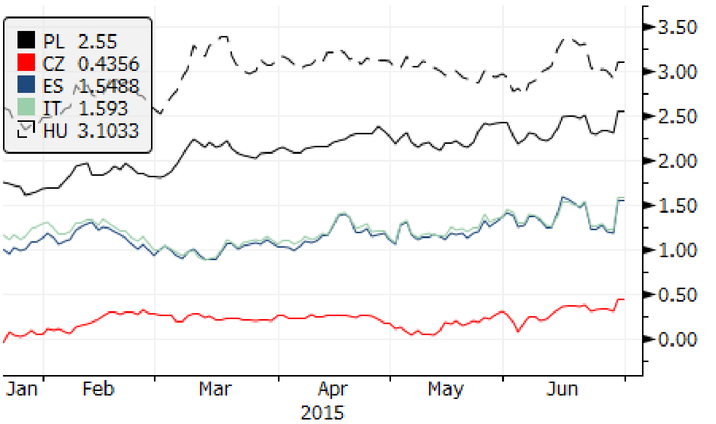
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST BZWBK	ACTUAL VALUE	LAST VALUE*
		FRIDAY (26 June)						
16:00	US	Michigan index	Jun	pts	94.6	-	96.1	90.7
		MONDAY (29 June)						
16:00	US	Pending home sales	May	%MoM	1.0	-		3.4
		TUESDAY (30 June)						
9:00	CZ	GDP	1Q	%YoY	-	-		4.2
11:00	EZ	Flash HICP	Jun	%YoY	0.2	-		0.3
14:00	**PL**	**Current account balance**	**1Q**	**mln €**	**2200**	**2200**		**1971**
14:00	**PL**	**Inflation expectations**	**Jun**	**%YoY**	**0.2**	**-**		**0.2**
16:00	US	Conference Board	Jun	pts	96.8	-		95.4
		WEDNESDAY (1 July)						
3:45	CN	PMI – manufacturing	Jun	pts	49.9	-		50.9
9:00	**PL**	**PMI – manufacturing**	**Jun**	**pts**	**52.4**	**53.0**		**52.4**
9:55	DE	PMI – manufacturing	Jun	pts	51.9	-		51.1
10:00	EZ	PMI – manufacturing	Jun	pts	52.5	-		52.2
14:15	US	ADP report	Jun	k	210	-		201
16:00	US	ISM - manufacturing	Jun	pts	53.4	-		52.8
		THURSDAY (2 July)						
13:30	EZ	ECB decision		%	0.05	-		0.05
14:30	US	Non-farm payrolls	Jun	k	227	-		280
14:30	US	Unemployment rate	Jun	%	5.4	-		5.5
14:30	US	Initial jobless claims	weekly	k	-	-		271
16:00	US	Factory orders	May	%MoM	-0.5	-		-0.4
		FRIDAY (3 July)						
9:55	DE	PMI – services	Jun	pts	54.2	-		53
10:00	EZ	PMI – services	Jun	pts	54.4	-		53.8

Source: BZ WBK, Reuters, Bloomberg

** in case of the revision, the data is updated*

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