

2 July 2019

# Eyeopener

## PMI lower again

Post-summit optimism may not last too long  
 PMI indicators declined in June, also in Poland  
 Zloty and ruble stronger, koruna and forint under pressure of data  
 Polish IRS and bond curves slightly lower  
 Another day of top jobs negotiations in EU

Since the start of the new week the global markets were under positive spell from Osaka, where US and Chinese leaders agreed to return to trade talk, so risk of imminent introduction of new tariffs receded in the background. In due course, stock markets in Asia, Europe and the USA were in black and most EM currencies appreciated against the dollar. However, the post-summit optimism seems to be waning due to last series of disappointing PMI data globally and information that the USA proposed to extend its list of EU products that could be subject to tariffs by goods worth additional by USD4bn. While the European final PMIs were below expectations, the US ISM in manufacturing surprised to the upside, as it fell much less than feared, yet reached the lowest level since October 2016. Monday still did not bring decision on EU top jobs, talks are to be resumed today.

June **manufacturing PMI** went down to 48.4 pts from 48.8 instead of climbing to 49.0 as the market expected (we forecasted 49.2 pts). The 2Q average was 48.7 pts vs 48.2 for 1Q. The June report mentions larger declines in output and new orders as well as one of the strongest decline of backlogs of work in six years. This time it was domestic demand that pulled down the new orders component, while foreign orders improved (although their measure stayed in the contraction territory). The index of 12M outlook of manufacturers was the lowest in six year. Yet, there was a rise of employment component in June. The alternative measures of business sentiment also showed some deterioration in June. Recently, PMI has been a flawed indicator of current activity in Polish industry, which observed relatively high real output growth - only the May reading was lower than expected. Nevertheless, it should be noted that virtually all business climate surveys pointed recently to a moderate slowdown of manufacturing activity.

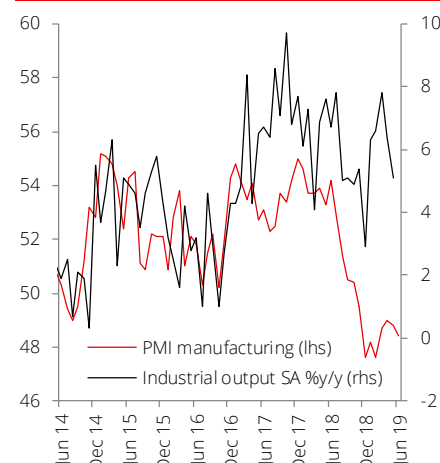
**EURUSD** fell to 1.132 early Monday morning but later in the day the exchange rate stabilized around 1.134. In the evening, the dollar appreciation restarted and EURUSD reached c1.129. Today in the morning we saw the German retail sales data (a disappointment again) but later in the day we will not see any important releases. This should favour EURUSD stabilization ahead of the crucial US data scheduled for the second part of the week and awaiting decision who could become the next ECB governor.

**EURPLN** fell for the third session in a row and it temporarily broke 4.24 at the end of the Polish session. The zloty benefited from the positive mood on the equity market but the pace of the zloty appreciation faded somewhat which might have been due to the dollar strengthening vs the euro. USDPLN remained above 3.73, its lowest level since February reached in the past week. Today we expect the zloty to stabilize awaiting the next stronger impulse.

In the **CEE region**, the forint and the koruna lost against the euro under impact of weaker June PMI for Hungarian and Czech industry. The ruble was under pressure in the first part of the session, but eventually managed to appreciate thanks to a significant rise of oil prices.

On the **domestic interest rate market** bond yields and IRS rates fell by 3bp in the middle and long end of the curve and by 1bp in the short end. Polish 10Y bond was following similar moves in German Bund market. It looks that for the debt market more important than positive turn in US-China relations were expectations for monetary easing by main central banks and news from Brussels, which (at least so far) indicate that chances for nominating German successor for Mario Draghi's post in the ECB are not great.

Manufacturing PMI vs industrial output



Source: Markit, GUS, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: skarb.santander.pl  
**Piotr Bielski** +48 22 534 18 87  
**Marcin Luzziński** +48 22 534 18 85  
**Grzegorz Ogonek** +48 22 534 19 23  
**Marcin Sulewski, CFA** +48 22 534 18 84

## FX market

### Today's opening

EURPLN	4.2466	CZKPLN	0.1670
USDPLN	3.7482	HUFPLN*	1.3158
EURUSD	1.1329	RUBPLN	0.0595
CHFPLN	3.8111	NOKPLN	0.4393
GBPPLN	4.7529	DKKPLN	0.5689
USDCNY	6.8460	SEKPLN	0.4026

\*for 100HUF

### Last session in the FX market 01/07/2019

	min	max	open	close	fixing
EURPLN	4.237	4.249	4.249	4.240	4.252
USDPLN	3.730	3.755	3.733	3.754	3.7336
EURUSD	1.129	1.138	1.137	1.129	-

## Interest rate market 01/07/2019

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0721 (2L)	1.60	-1	21 mar 19	OK0521	1.633
PS0424 (5L)	1.94	-3	21 mar 19	PS0424	2.209
DS1029 (10L)	2.36	-3	21 mar 19	DS1029	2.877

### IRS on the interbank market\*\*

Risks on the Interest Rate Market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.06	4	-0.37	-1
2L	1.75	-1	1.85	5	-0.39	-1
3L	1.75	-2	1.79	5	-0.37	-1
4L	1.79	-3	1.78	4	-0.32	-2
5L	1.83	-3	1.81	4	-0.25	-2
8L	1.98	-3	1.92	4	0.00	-2
10L	2.08	-4	2.01	4	0.16	-2

### WIBOR rates

Term	%	Change (bps)
O/N	1.55	1
T/N	1.56	0
SW	1.57	0
2W	1.60	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.86	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.72	0
3x6	1.72	0
6x9	1.72	1
9x12	1.71	1
3x9	1.79	0
6x12	1.78	0

### Measures of fiscal risk

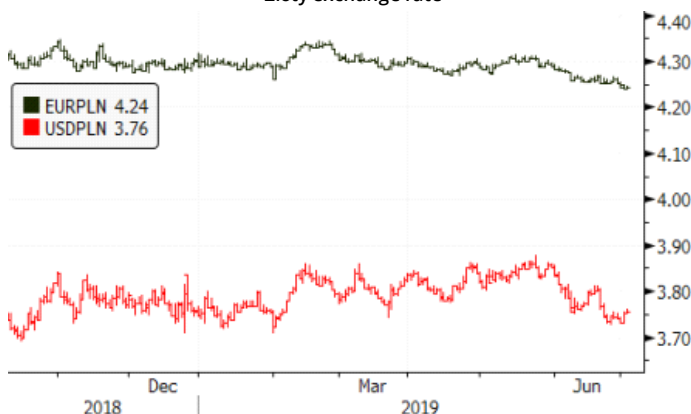
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.72 -2
France	25 1	0.31 1
Hungary		2.91 -6
Spain	39 -1	0.69 0
Italy	194 -5	2.31 -2
Portugal	43 0	0.76 0
Ireland	28 0	0.50 1
Germany	12 0	- -

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

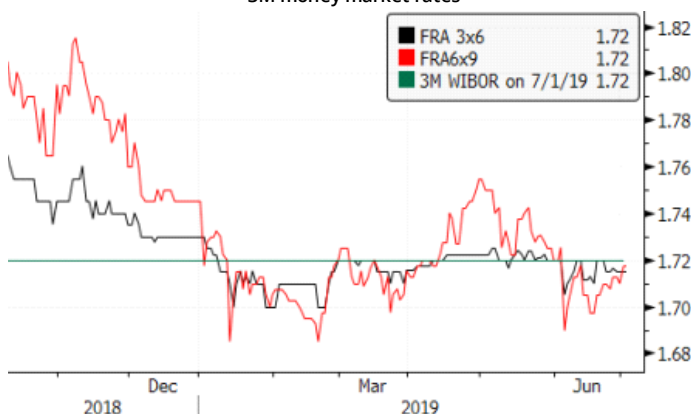
## Zloty exchange rate



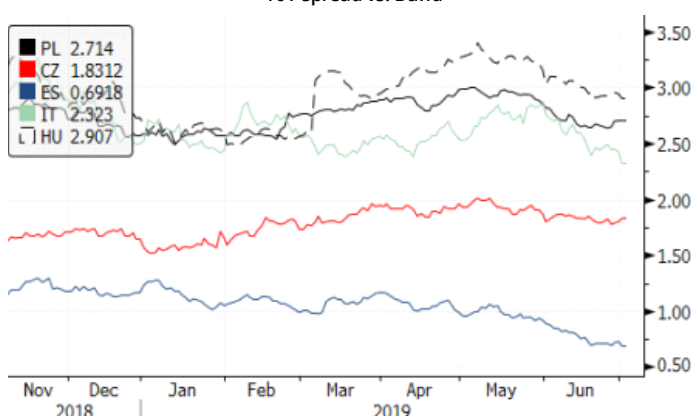
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (28 June)								
09:00	CZ	GDP SA	1Q	% y/y	2.6	-	2.8	2.6
10:00	PL	CPI	Jun	% y/y	2.4	2.6	2.6	2.4
11:00	EZ	Flash HICP	Jun	% y/y	1.2	-	1.2	1.2
14:30	US	Personal Spending	May	% m/m	0.5	-	0.4	0.3
14:30	US	Personal Income	May	% m/m	0.3	-	0.5	0.5
14:30	US	PCE Deflator SA	May	% m/m	0.2	-	0.2	0.3
16:00	US	Michigan index	Jun	pts	97.9	-	98.2	97.9
MONDAY (1 July)								
03:45	CN	Caixin Manufacturing PMI	Jun	Pts	50.1	-	49.4	50.2
09:00	PL	Poland Manufacturing PMI	Jun	pts	49.0	49.2	48.4	48.8
09:55	DE	Germany Manufacturing PMI	Jun	pts	45.4	-	45.0	45.4
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	47.8	-	47.6	47.8
11:00	EZ	Unemployment Rate	May	%	7.6	-	7.5	7.6
16:00	US	ISM manufacturing	Jun	pts	51.2	-	51.7	52.1
TUESDAY (2 July)								
08:00	DE	Retail sales	May	% m/m	0.5	-	-0.6	-1.0
WEDNESDAY (3 July)								
	PL	MPC decision		%	1.50	1.50		1.50
03:45	CN	Caixin China PMI Services	Jun	pts	52.6	-		52.7
09:55	DE	Markit Germany Services PMI	Jun	pts	55.6	-		55.6
10:00	EZ	Eurozone Services PMI	Jun	pts	53.4	-		53.4
14:15	US	ADP report	Jun	k	140	-		27
14:30	US	Initial Jobless Claims	week	k	220	-		227
16:00	US	Durable Goods Orders	May	% m/m	-0.3	-		-1.3
16:00	US	ISM services	Jun	pts	56.0	-		56.9
16:00	US	Factory Orders	May	% m/m	-0.4	-		-0.8
THURSDAY (4 July)								
11:00	EZ	Retail Sales	May	% m/m	0.4	-		-0.4
FRIDAY (5 July)								
08:00	DE	Factory Orders	May	% m/m	-0.1	-		0.3
09:00	HU	Industrial Production SA	May	% y/y	5.0	-		6.0
14:30	US	Change in Nonfarm Payrolls	Jun	k	162.5	-		75.0
14:30	US	Unemployment Rate	Jun	%	3.6	-		3.6

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.