

# Eyeopener

## MPC tone unchanged

Hopes for continued dovish ECB policy supported market sentiment  
 Better data from Europe, worse from USA  
 MPC bias unchanged, as expected  
 Zloty and EURUSD still stable, Polish debt supported by stronger core markets  
 Today, retail sales in the euro zone

Reaching an agreement by the European leaders as regards EU's top jobs and the plan to appoint Christine Lagarde as a new ECB president, seen as boosting chances of mild monetary policy continuation, had a positive impact on global moods during the Wednesday session. Better than expected June final services PMIs for Germany and the euro zone were an additional support. In the last few days demand for the risky assets was reinforced by expectations for more accommodative stance of main central banks rhetoric, including possible reduction of Fed's interest rates. Those expectations became even stronger yesterday, after the release of worse than expected ADP report and ISM services index. Weak US data and positive global sentiment allowed the emerging market currencies to gain.

Poland's **MPC kept interest rates unchanged**, as expected. Reference rate still at 1.50%. New NBP GDP and CPI forecasts were slightly tilted upwards for 2019 and 2020, while 2021 remained fairly unchanged. Nothing new at the conference: the NBP president Adam Glapiński maintained his view that rates are likely to remain flat until end of 2021, inflation will probably rise "slightly" at the start of 2020, but then will fall again, and remain within the tolerance band around the target (1.5-3.5%) throughout the forecasting horizon. We think that inflation rise in the coming months/quarters will be faster than anticipated by the central bank (CPI will reach almost 4% in January 2020, partly due to 'unfreezing' energy tariffs), but it will not trigger the MPC's reaction due to a very dovish turn in global monetary policy. Thus, the NBP reference rate will remain unchanged at least until the end of 2020.

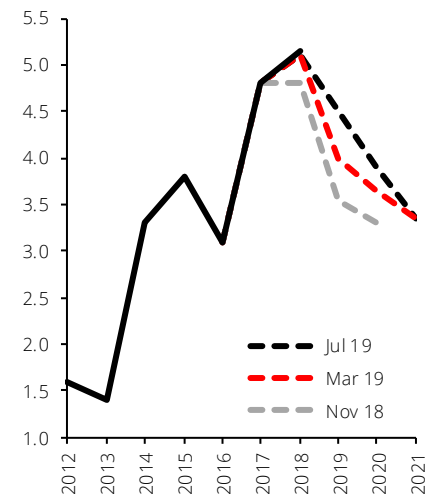
**EURUSD** was oscillating near 1.13 for the second day in a row and did not react to the incoming data. The rate did not react significantly to Donald Trump's comment on Twitter that China and EU are manipulating their currencies. Today's set of macro data is much smaller than on Wednesday. Additionally, US markets are closed due to the Independence Day and this should support stabilisation ahead of tomorrow's NFP report.

**EURPLN** remained stable around 4.24 yesterday, within the range set by Monday minimum and maximum values. USDPLN declined slightly, but remained close to the local top at c3.76. In the case of other CEE currencies, the forint saw some mild gains, the koruna was stable and the ruble weakened. We think that today EURPLN will hold above the local minimum of c4.235.

On the **domestic interest rate market**, IRS and bond yields fell by 1-5bp amid core and euro zone peripheral debt market reaction to the nomination of Christine Lagarde as a new ECB governor. Additional support for bonds came from the US data. Yesterday, the Italian bonds recorded a significant plunge of yields (by c20bp for the 10Y debt) in reaction to the EC decision that it will refrain from launching an excessive debt procedure against Italy. Today, the market volatility could be lower awaiting tomorrow's US labour market report.

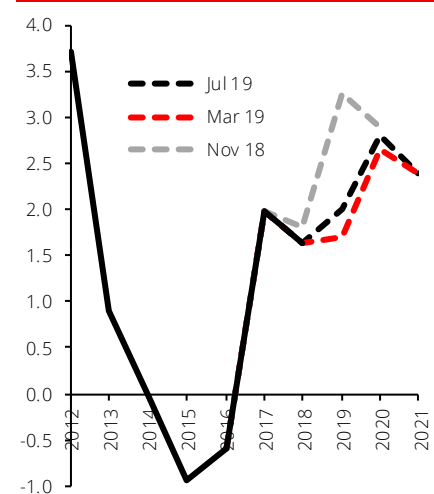
Yesterday, we released our **new quarterly MACROscope** ([link](#)) where we write why we do not revise our GDP growth forecasts significantly up and elaborate about main risk factors for the Polish economy. We point drivers for the expected further rise of inflation and implications for the monetary policy. We present also a revised FX forecasts. Enjoy the reading.

### Central bank's GDP growth forecasts (central path)



Source: NBP, Santander Bank Polska

### Central bank's CPI forecasts (central path)



Source: NBP, Santander Bank Polska

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**FX market**

Today's opening			
EURPLN	4.2407	CZKPLN	0.1667
USDPLN	3.7585	HUFPLN*	1.3157
EURUSD	1.1283	RUBPLN	0.0594
CHFPLN	3.8090	NOKPLN	0.4405
GBPPLN	4.7243	DKKPLN	0.5682
USDCNY	6.8750	SEKPLN	0.4036

\*for 100HUF

**Last session in the FX market 03/07/2019**

	min	max	open	close	fixing
EURPLN	4.238	4.245	4.244	4.240	4.2442
USDPLN	3.747	3.767	3.754	3.758	3.7596
EURUSD	1.127	1.131	1.131	1.128	-

**Interest rate market 03/07/2019**

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

Benchmark (term)	%	Change (bps)	Last auction	offer	Average yield
PS0721 (2L)	1.57	-1	21 mar 19	OK0521	1.633
PS0424 (5L)	1.89	-3	21 mar 19	PS0424	2.209
DS1029 (10L)	2.30	-5	21 mar 19	DS1029	2.877

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	-1	2.02	0	-0.39	-1
2L	1.74	-1	1.80	0	-0.41	-1
3L	1.74	-1	1.73	-1	-0.39	-1
4L	1.77	-1	1.71	-1	-0.34	-1
5L	1.81	-2	1.72	-2	-0.28	-1
8L	1.93	-4	1.83	-3	-0.05	-3
10L	2.02	-5	1.91	-3	0.11	-4

**WIBOR rates**

Term	%	Change (bps)
O/N	1.54	0
T/N	1.55	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	1.71	0
9x12	1.70	-1
3x9	1.79	0
6x12	1.78	-1

**Measures of fiscal risk**

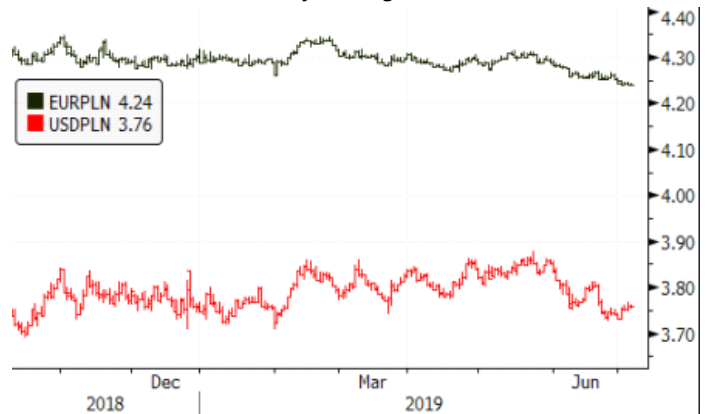
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.69	-4
France	23	1	0.28	0
Hungary			2.75	0
Spain	36	1	0.60	0
Italy	167	-1	1.97	0
Portugal	38	-1	0.68	0
Ireland	27	0	0.46	1
Germany	11	0	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

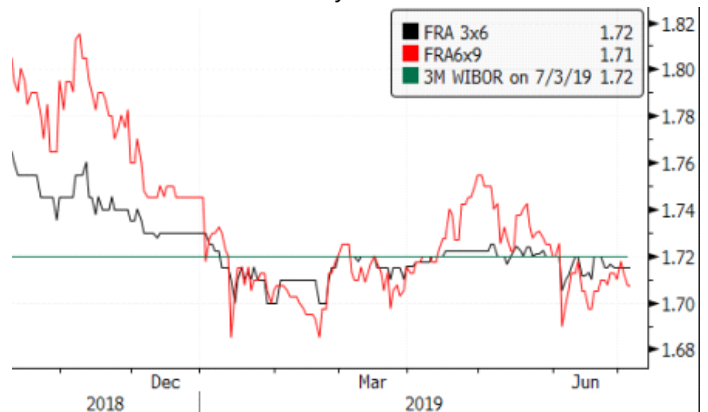
**Zloty exchange rate**



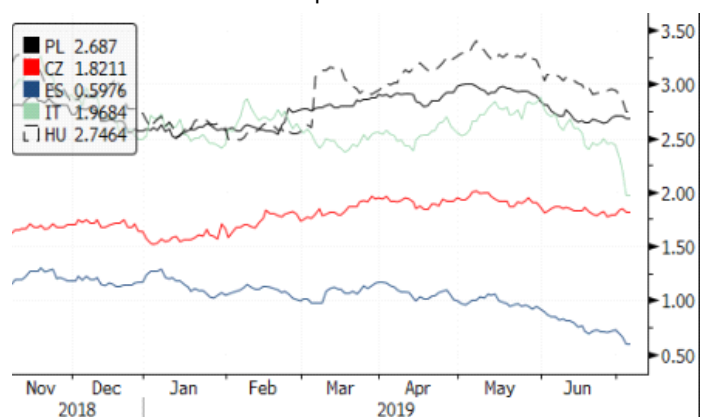
**T-bonds yields**



**3M money market rates**



**10Y spread vs. Bund**



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
<b>FRIDAY (28 June)</b>								
09:00	CZ	GDP SA	1Q	% y/y	2.6	-	2.8	2.6
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Jun</b>	<b>% y/y</b>	<b>2.4</b>	<b>2.5</b>	<b>2.6</b>	<b>2.4</b>
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
<b>MONDAY (1 July)</b>								
03:45	CN	Caixin Manufacturing PMI	Jun	Pts	50.1	-	49.4	50.2
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Jun</b>	<b>pts</b>	<b>49.0</b>	<b>49.2</b>	<b>48.4</b>	<b>48.8</b>
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
<b>TUESDAY (2 July)</b>								
08:00	DE	Retail sales	May	% m/m	0.5	-	-0.6	-1.0
<b>WEDNESDAY (3 July)</b>								
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>
03:45	CN	Caixin China PMI Services	Jun	pts	52.6	-	52.0	52.7
09:55	DE	Markit Germany Services PMI	Jun	pts	55.6	-	55.8	55.6
10:00	EZ	Eurozone Services PMI	Jun	pts	53.4	-	53.6	53.4
14:15	US	ADP report	Jun	k	140	-	102	41
14:30	US	Initial Jobless Claims	week	k	223	-	221	229
16:00	US	Durable Goods Orders	May	% m/m	-1.3	-	-1.3	-2.8
16:00	US	ISM services	Jun	pts	56.0	-	55.1	56.9
16:00	US	Factory Orders	May	% m/m	-0.6	-	-0.7	-1.2
<b>THURSDAY (4 July)</b>								
11:00	EZ	Retail Sales	May	% m/m	0.3	-		-0.4
<b>FRIDAY (5 July)</b>								
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	-		75
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

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