

23 June 2020

Eyeopener

Today global June PMIs

Pandemic fears return
Retail sales drop less than expected
Zloty stronger thanks to higher EURUSD. Bonds stronger thanks to Bund.
Today preliminary June PMI for the Eurozone

The new started with stronger safe assets like core bonds or gold, which was mainly due to statement of the WHO that a new all-time high of COVID-19 infections was set. Additionally, US housing market data surprised to the downside. Bundesbank head Jens Weidmann said yesterday the ECB purchasing programme should be unlimited, because this could create wrong incentives for governments.

May **retail sales** surprised to the upside with a 7.7% decline in annual terms (consensus: -11.7% y/y, our call: -14.0% y/y). While a rebound from -22.9% y/y in April was widely expected due to gradual easing of lockdown measures (reopening of shopping malls on 4th May), the scale of recovery came as a positive surprise. We expect a further normalisation of retail sales in the upcoming months, yet it will be not as spectacular as in May. Moreover, the effect of lower households' disposable incomes growth will be undermining the retail sales dynamics in the upcoming quarters. In June, **sectoral business sentiment** indexes all improved again, and at a higher pace than in May. June business sentiment report is another sign that the trough is behind us and a gradual recovery has started. More in our yesterday's [Economic Comment](#).

Finance Minister Tadeusz Kościński said that within two weeks the ministry will show the budget amendment draft. He added that the ministry is gathering more data to assess what other measures are needed to provide support to the economy. He stressed that the president has to sign the bill that suspends the stabilising spending rule before the budget amendment draft is proposed. Tadeusz Kościński wants to have the budget amended before the end of July.

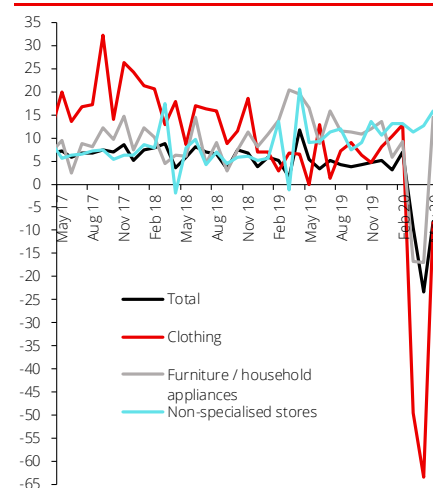
Yesterday **EURUSD** climbed after four days of downward moves and reached 1.125 after starting the day close to 1.12. The euro gained despite rather negative global sentiments and the single currency could have been backed by Weidmanns' words. Today the morning release of flash PMI for German and euro zone manufacturing is the key event. The market expected a strong rebound in June after a strong drop in April and modest rebound in May. Let us note that for some time already the market has been pricing-in a V-shaped recovery scenario, so it seems that the data have to surprise strongly to the upside to trigger a persistent positive market reaction.

EURPLN closed the session close to 4.44, although it climbed the session peak at 4.47 shortly after the beginning of the day. USDPLN fell to 3.95 from 3.99 thanks to EURUSD rise. Taking a broader look at the market, EURPLN remained between the low (4.436) and peak (4.474) from last Wednesday and is waiting for stronger impulse. Perhaps we could see bigger move after today's European data or tomorrow if the Czech central bank surprises and delivers a rate cut. This could weigh on the koruna and to some extent also on the zloty.

In case of the **other CEE currencies**, volatility was low and the forint underperformed (EURHUF rose to 347.3 from 345.8) while the ruble outperformed (USDRUB down to 69.1 from 69.4). EURCZK was hovering around the opening level at 26.65. Today at 14:00CET the Hungarian central bank will decide about the interest rates, market expects main rate to be left unchanged at 0.90%.

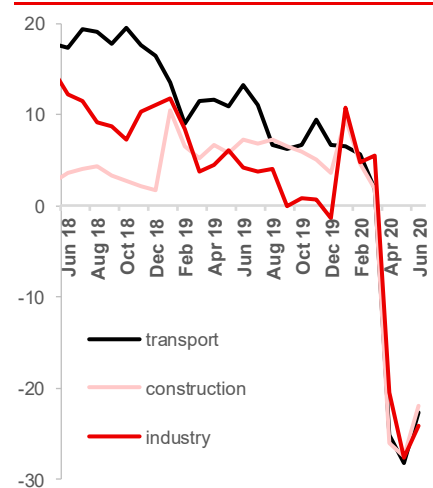
On the **domestic interest rate market** the IRS and bond curve shifted 7bp down amid falling yields on the core market. Yield of the Polish 2Y benchmark neared 0.17% and 5Y IRS rate approached 0.46%, in both cases close to their record low levels from late May. The better-than-expected Polish data did not have a meaningful impact on the market. Today's PMIs may affect the Bund. If the German debt losses after these releases, this does not mean Polish bond yields have to rise as well. Since the beginning of June, Poland-German 10Y bond yield spread rose by more than 20bp to c183bp and it seems likely that the spread react first to the data.

Retail sales, % y/y



Source: GUS, Santander

Business sentiment, current situation, pts



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.4388	CZKPLN	0.1661
USDPLN	3.9392	HUFPLN*	1.2737
EURUSD	1.1266	RUBPLN	0.0571
CHFPLN	4.1602	NOKPLN	0.4098
GBPPLN	4.9099	DKKPLN	0.5953
USDCNY	7.0764	SEKPLN	0.4201

*for 100HUF

Last session in the FX market

22.06.2020

	min	max	open	close	fixing
EURPLN	4.438	4.468	4.461	4.442	4.452
USDPLN	3.942	3.993	3.981	3.945	3.967
EURUSD	1.119	1.127	1.120	1.126	-

Interest rate market

22.06.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.17	-7	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.76	-5	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.36	-6	5.03.2020	DS1029	1.725

IRS on the interbank market**

Term	PL		US		EZ (17.06)	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.24	-1	0.29	0	-0.45	-1
2L	0.29	-2	0.25	0		
3L	0.33	-3	0.27	0		
4L	0.41	-4	0.30	0		
5L	0.49	-4	0.37	1		
8L	0.70	-5	0.58	1		
10L	0.81	-4	0.69	2		

WIBOR rates

Term	%	Change (bps)
O/N	0.13	0
T/N	0.13	0
SW	0.17	0
2W	0.20	0
1M	0.23	0
3M	0.27	0
6M	0.29	0
1Y	0.30	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.22	-2
3x6	0.21	0
6x9	0.21	-1
9x12	0.22	-3
3x9	0.23	-2
6x12	0.25	-3

Measures of fiscal risk

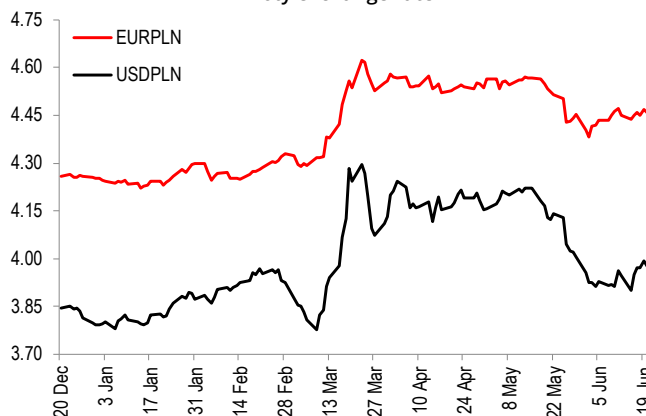
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	180	-4
France	14	0	32	-1
Hungary	77	0	275	-3
Spain	79	0	91	-1
Italy	125	0	180	6
Portugal	48	0	94	0
Ireland	23	-1	36	-1
Germany	13	0	-	-

* 10Y treasury bonds over 10Y Bunds

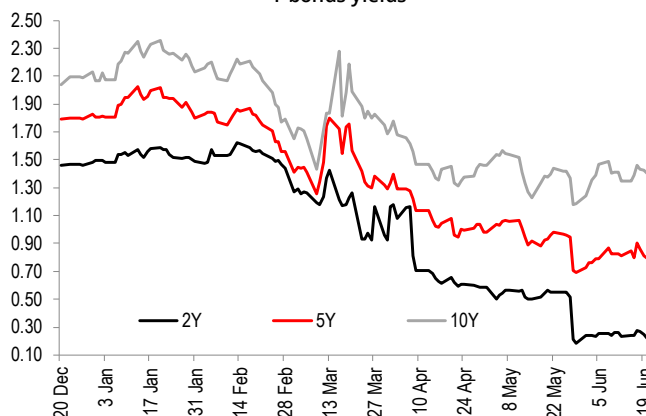
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

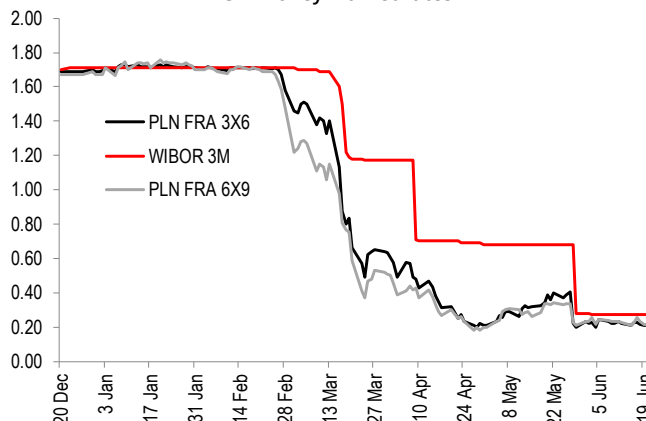
Zloty exchange rate



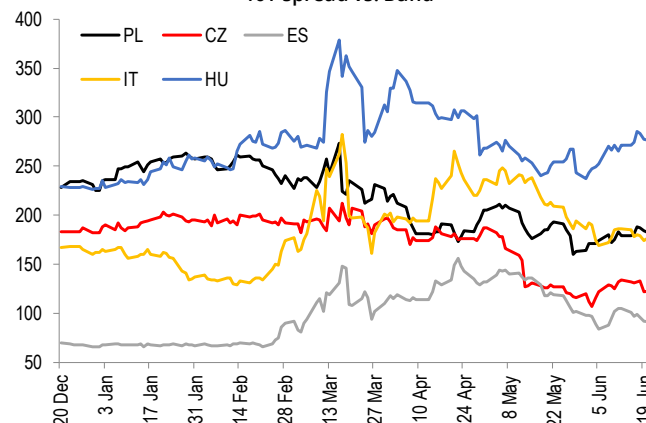
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		REALIZACJA	OSTATNIA WARTOŚĆ*
			MARKET	SANTANDER				
FRIDAY (19 June)								
10:00	PL	Industrial output	May	% y/y	-18.0	-16.7	-17.0	-24.6
10:00	PL	PPI	May	% y/y	-1.5	-1.4	-1.5	-1.3
MONDAY (22 June)								
10:00	PL	Real retail sales	May	% y/y	-11.7	-13.8	-7.7	-22.9
16:00	US	Home sales	May	% m/m	-4.2	-	-9.7	-17.8
TUESDAY (23 June)								
9:30	DE	Flash PMI – manufacturing	Jun	pts	44.0	-		36.6
10:00	EZ	Flash PMI – manufacturing	Jun	pts	43.2	-		39.4
14:00	PL	Money supply	May	% y/y	14.6	16.2		14.0
16:00	US	New home sales	May	% m/m	1.1	-		0.6
WEDNESDAY (24 June)								
10:00	PL	Unemployment rate	May	%	6.1	6.0		5.8
10:00	DE	Ifo index	Jun	pts	85.0	-		79.5
13:00	CZ	Central bank decision		%	0.25	-		0.25
THURSDAY (25 June)								
14:30	US	GDP third estimate	Q1	% q/q	-5.0	-		-5.0
14:30	US	Durable goods orders	May	% m/m	12.0	-		-17.7
14:30	US	Initial jobless claims	week	k	-	-		1 508
FRIDAY (26 June)								
14:30	US	Consumer incomes	May	% m/m	-5.8	-		10.5
14:30	US	Consumer spending	May	% m/m	8.7	-		13.6
16:00	US	Michigan index	Jun	pts	78.9	-		78.9

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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