

3 July 2020

Eyeopener

End of the week in positive moods

Risk assets gaining strongly after better than expected US labour market data
Zloty stronger amid high intra-day volatility
Bond yields rebounded after Wednesday's rise, chasing Bund
Today, services PMI indicators

On Thursday the US labour market data was the top news. As non-farm payrolls rose by 4.8m versus expectations at 3.2m, the markets turned euphoric. Stock markets were going strongly up, European by 3%, US by almost 2% (yet gains slowed down at the end of the session). Markets were also optimistic about EM assets. Oil and metals prices went up (Brent 1.5%). EM currencies were mostly gaining, with Latam and the ruble clearly outperforming, as they appreciated by over 1% versus the dollar. The first reaction after the US data release pushed US yield higher (10Y UST above 0.70%), but at the end of the day yields decline to the opening level (0.68%). Bund yields were falling throughout the day, by 3bp in total, to -0.43%. PMI in Chinese services, released this morning, was markedly above forecasts, which could amplify investors' optimism ahead of the weekend.

EURUSD continued the streak of volatile sessions, opened at 1.125 on Thursday and climbed by 0.5% to 1.13 and then after US data fell again to 1.124. Last week, despite elevated volatility, the rate was moving in a horizontal trend 1.12-1.13 and we think that only a strong signal (e.g. a major rise in risk aversion) could push it out, with a possible decline to 1.105.

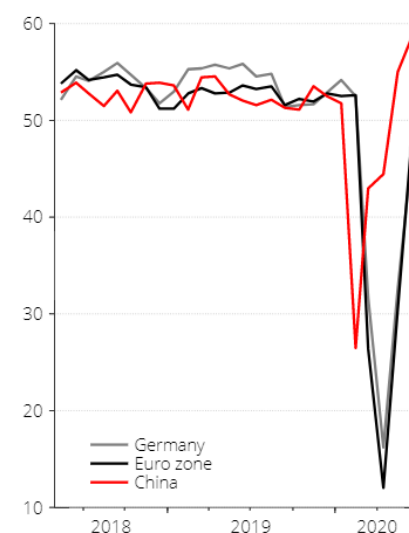
EURPLN started the day weak, at 4.48, contrary to the day before, fell over the day to 4.46 (by about 0.4%), then climbed again to 4.475 (0.3%) and declined to 4.465 at the end of the session. In our view the elevated volatility could be a signal of positioning on the option markets and can persist for about a week.

As for the **other regional currencies**, in Hungary worse than expected April trade balance (EUR -512m vs EUR 212m) has not pushed the EURHUF higher, and the pair consolidated for a third day in a row. On Thursday EURHUF declined 0.4% to 351.5 and we reckon the potential for a further move down is limited. We expect forint might soon start to weaken again. EURCZK moved sideways and closed unchanged at 26.6. UDSRUB declined (more expensive oil, good market sentiment) and closed a day at 70.5, about 1% stronger.

On the **Polish fixed income market**, Wednesday's IRS increases have been reversed on Thursday – the 2Y again declined to below 0.28%, 10Y to 0.89%. Short term bond yields have not changed (1Y still at 0.04%, 2Y at 0.12%) while the yields of the longer ones significantly declined e.g. 10Y from 1.44% a day before to 1.36%. Part of the reason for the move might have been the German Bund whose yields declined. The spread narrowed to 179bp.

Polish Development Fund has already paid PLN55.53bn to companies, as for July 2 – according to data from the Ministry of Development cited by PAP. The value of total aid granted to firms under the Anti-crisis shield amounts to PLN106.96bn.

PMI services (pts)



Source: Refinitiv Datastream, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 22 534 18 87
Marcin Luzziński +48 22 534 18 85
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 19 23
Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4.4602	CZKPLN	0.1675
USDPLN	3.9702	HUFPLN*	1.2583
EURUSD	1.1235	RUBPLN	0.0565
CHFPLN	4.1949	NOKPLN	0.4166
GBPPLN	4.9532	DKKPLN	0.5986
USDCNY	7.0611	SEKPLN	0.4259

*for 100HUF

Last session in the FX market

02/07/2020

	min	max	open	close	fixing
EURPLN	4.460	4.476	4.473	4.462	4.466
USDPLN	3.947	3.980	3.971	3.971	3.953
EURUSD	1.122	1.130	1.126	1.123	-

Interest rate market

02/07/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.15	-1	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.71	-4	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.36	-6	5.03.2020	DS1029	1.725

IRS on the interbank market**

RIS on the interbank market						
Term	PL		US		EZ (17.06)	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.21	-1	0.27	1	-0.47	-1
2L	0.28	-3	0.23	0	-0.38	0
3L	0.35	-3	0.23	-1	-0.38	-1
4L	0.45	-5	0.27	-1	-0.37	-2
5L	0.55	-3	0.33	-1	-0.35	-2
8L	0.78	-4	0.53	-1	-0.24	-2
10L	0.89	-4	0.64	-1	-0.16	-3

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.11	0
SW	0.15	0
2W	0.19	0
1M	0.23	0
3M	0.26	0
6M	0.28	0
1Y	0.30	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.23	-1
3x6	0.17	-1
6x9	0.18	-2
9x12	0.18	-4
3x9	0.20	1
6x12	0.21	-4

Measures of fiscal risk

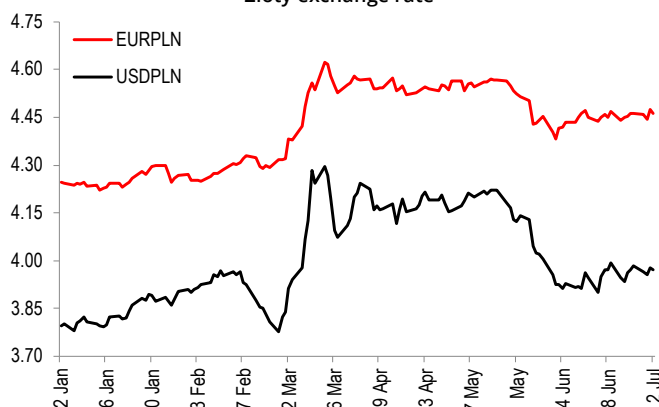
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	56	0	178	-3
France	15	2	32	-2
Hungary	77	0	274	5
Spain	75	-2	89	-2
Italy	121	-1	171	-3
Portugal	43	-2	89	0
Ireland	22	0	45	-2
Germany	12	0	-	-

* 10Y treasury bonds over 10Y Bunds

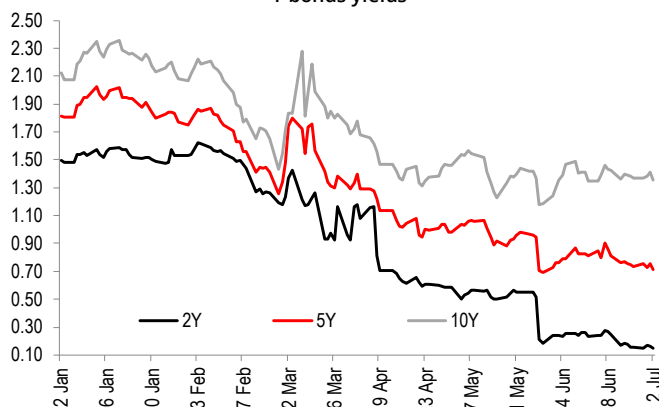
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

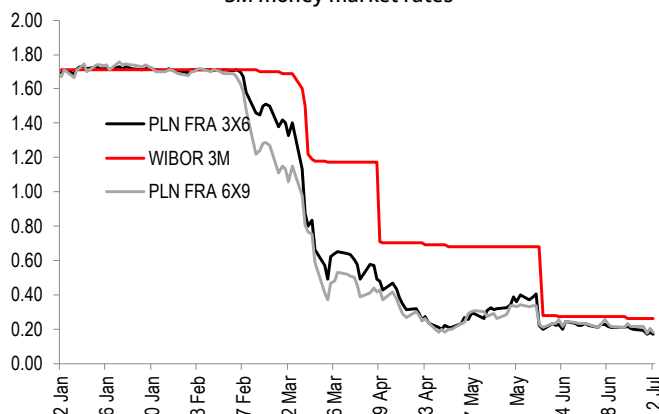
Zloty exchange rate



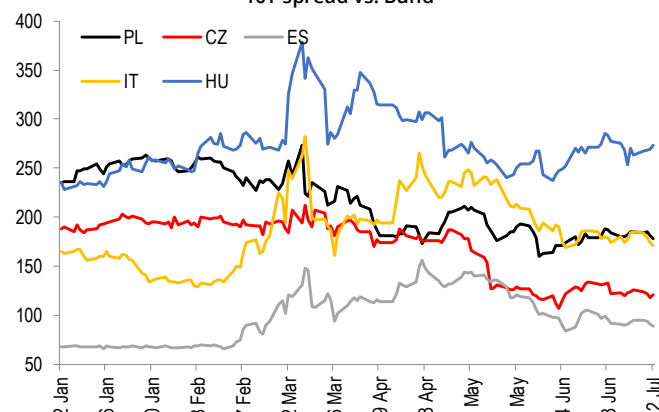
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
FRIDAY (26 June)								
14:30	US	Personal Spending	May	% m/m	9.2		8.2	-12.6
14:30	US	Personal Income	May	% m/m	-6.0		-4.2	10.8
14:30	US	PCE Deflator SA	May	% m/m	0.6		0.5	0.5
16:00	US	Michigan index	Jun	pts	79.2		78.1	78.9
MONDAY (29 June)								
11:00	EZ	ESI	Jun	pct.	80.3		75.7	67.5
14:00	DE	HICP	Jun	% m/m	0.4		0.7	0.0
16:00	US	Pending Home Sales	May	% m/m	19.3		44.3	-21.8
TUESDAY (30 June)								
09:00	CZ	GDP SA	1Q	% y/y	-2.0		- 2.0	-2.0
10:00	PL	CPI	Jun	% y/y	2.7	3.0	3.3	2.9
11:00	EZ	Flash HICP	Jun	% y/y	0.2		0.3	0.1
16:00	US	Consumer Conference Board	Jun	pts	90.0		91.5	85.9
WEDNESDAY (1 July)								
08:00	DE	Retail Sales	May	% m/m	3.8		13.9	-6.5
09:00	PL	Poland Manufacturing PMI	Jun	pts	46.2	46.0	47.2	40.6
09:55	DE	Germany Manufacturing PMI	Jun	pts	44.6		45.2	44.6
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	46.9		47.4	46.9
14:15	US	ADP report	Jun	k	2900.0		2369	3065
16:00	US	ISM manufacturing	Jun	pts	49.8		52.6	43.1
20:00	US	FOMC Meeting Minutes	Jun.20					
THURSDAY (2 July)								
11:00	EZ	Unemployment Rate	May	%	7.7		7.4	7.3
14:30	US	Initial Jobless Claims	Jun.20	k	1320.0		1427.0	1427.0
14:30	US	Change in Nonfarm Payrolls	Jun	k	3200.0		4800	2509.0
14:30	US	Unemployment Rate	Jun	%	12.5		11.1	13.3
16:00	US	Durable Goods Orders	May	% m/m	15.8		15.8	15.8
16:00	US	Factory Orders	May	% m/m	8.6		8.0	-13.5
FRIDAY (3 July)								
03:45	CN	Caixin China PMI Services	Jun	pts	53.3		-	55.0
09:55	DE	Markit Germany Services PMI	Jun	pts	45.8		-	45.8
10:00	EZ	Eurozone Services PMI	Jun	pts	47.3		-	47.3

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>.