

7 July 2020

# Eyeopener

## Strong numbers from USA

Stock markets up after positive macro data  
Retail sales in euro zone and service ISM in USA beat expectations  
Zloty stable, bond yields slightly up  
Today NBP reserves in Poland, industrial output in Czechia and Hungary

On Monday stock markets in China were gaining again (overall, more than 10% up in a week) as funds from individual investors, encouraged by state media, kept flowing to the market. Equities in Europe and USA were up c.1.5%. German data about industrial orders in May did not impress as they were still well below epidemic levels. But later in the day the data about retail sales from euro zone and Hungary were above expectations (despite still sub-zero y/y growth). US services PMI in June was revised up by 1.2pp to 47.9, but only a very strong reading of services ISM to 57.1 pushed bond yields in the core markets higher (10Y UST above 0.7%). Good US data reversed the downward move in dollar at the end of the day. Almost all emerging markets currencies were gaining, gold and oil remained quite stable.

**MPC member Eryk Łon** said that stabilisation of NBP interest rates at the current level would be a good strategy of monetary policy in Poland. In his view it would strengthen belief of economic agents that the central bank is doing everything it can not to harm economic revival. He added that monetary policy tightening in the second half of 2020 or even in 2021 could be too risky. Łon underscored the importance of keeping costs of debt financing as low as possible, which the recent rate cuts allowed. He added that disinflationary trends in Poland could be strengthened by the introduction of the new VAT matrix since 1 July. In our view, the impact of the new matrix on inflation is negligible.

**Registered unemployment rate** rose to 6.1% in June from 6.0% in May. The number of unemployed increased by 15.4k, less than expected.

**The Ministry of Finance** informed that at the end of June 2020 the value of domestic marketable debt was PLN749.5bn vs PLN646.0bn at the end of 2019. By the end of 2020 there is still PLN29.9bn of debt to be redeemed (PLN13.3bn in wholesale bonds, PLN4.4bn in retail bonds, PLN6.8bn in T-bills, PLN5.4bn of loans on foreign markets).

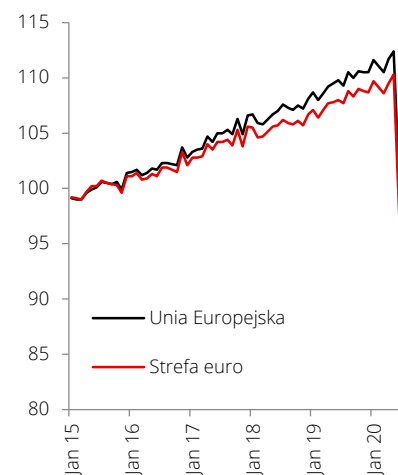
**EURUSD** on Monday had one of the strongest sessions of the latest time. After opening near 1.1245 it rose to 1.13 and all this still before the noon. In the second part of the day, but still before the ISM non-manufacturing data publication in the US it moved even higher towards 1.1350 (+1% from opening). Only the strong ISM print helped the dollar offset the losses somewhat and close near 1.131.

On Monday **EURPLN** was rather stable and closed exactly at the opening level at 4.466. Given lack of significant Polish macroeconomic data publication this week (only on Tuesday there are NBP FX reserves) the lack of the significant EURPLN direction might extend till the end of the week and only after the Sunday second round of presidential elections we might see a bigger move.

In **other CEE countries**, EURHUF declined a bit, by 0.3% to 352.8, possibly due to slightly better than expected May retail sales reading. EURCZK moved in line with EURPLN (open and close at the same level – 26.70 – with some decrease to 26.65 in the morning and a return to a bit above 25.6 in the afternoon. The ruble basket rose by 0.5% to 75.8 (so the ruble got weaker), but the depreciation of the dollar cushioned most of the move and USDRUB did not change on Monday vs the Friday level and closed at 71.55. Today in Hungary and Czechia May industrial output is due.

On the **domestic interest rate market**, FRAs went up by 2bp and eg. 9x12 returned to 0.20%. 2Y IRS made the same move, to 0.29%, and 10Y IRS rose by 3bp to 0.93%. Bond yields on the short end could not rise, depressed by large overliquidity of the banking sector and 2Y bond remained at 0.12%. 10Y rose by just 1bp to 1.37%. With Bund staying around -0.43% this meant that the 10Y PL-DE spread remained at 180bp.

Deflated retail trade turnover in Europe, 2015=100, sa



Source: Eurostat, Santander

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## FX market

### Today's opening

EURPLN	4.4646	CZKPLN	0.1668
USDPLN	3.9506	HUFPLN*	1.2537
EURUSD	1.1302	RUBPLN	0.0550
CHFPLN	4.1922	NOKPLN	0.4196
GBPPLN	4.9308	DKKPLN	0.5982
USDCNY	7.0179	SEKPLN	0.4257

\*for 100HUF

### Last session in the FX market

06.07.2020

	min	max	open	close	fixing
EURPLN	4.450	4.473	4.460	4.461	4.470
USDPLN	3.936	3.965	3.950	3.946	3.959
EURUSD	1.128	1.135	1.129	1.131	-

## Interest rate market

06.07.2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.14	-1	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.75	2	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.37	1	5.03.2020	DS1029	1.725

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

Term	PL		US		EZ (17.06)	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.21	0	0.26	-1	-0.47	0
2L	0.29	1	0.23	0	-0.38	0
3L	0.38	3	0.23	0	-0.39	0
4L	0.48	3	0.27	1	-0.37	0
5L	0.59	2	0.33	1	-0.35	0
8L	0.81	3	0.53	0	-0.24	-2
10L	0.93	3	0.64	0	-0.16	0

## WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.11	0
SW	0.14	0
2W	0.19	0
1M	0.23	0
3M	0.26	0
6M	0.28	0
1Y	0.29	0

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

Term	%	Change (bps)
1x4	0.23	0
3x6	0.17	0
6x9	0.19	3
9x12	0.21	4
3x9	0.18	-3
6x12	0.23	2

## Measures of fiscal risk

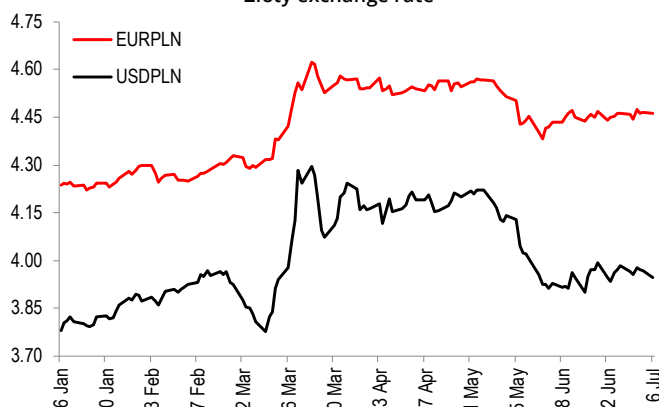
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	0	180	2
France	12	-1	32	-1
Hungary	77	0	277	3
Spain	73	-2	86	-3
Italy	120	-2	174	-2
Portugal	41	-2	86	-2
Ireland	21	-1	46	-1
Germany	10	0	-	-

\* 10Y treasury bonds over 10Y Bunds

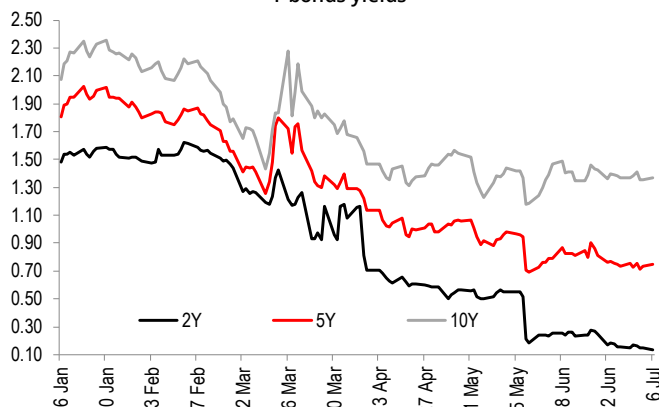
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

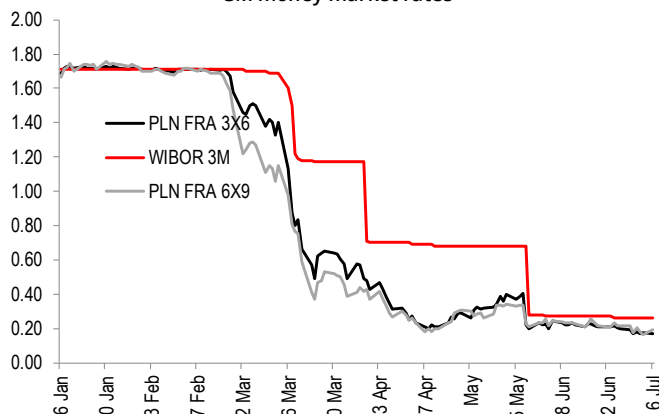
## Zloty exchange rate



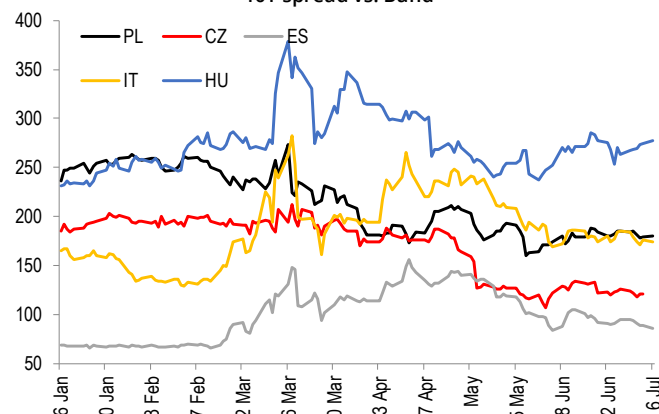
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Economic calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
FRIDAY (3 July)								
03:45	CN	Caixin China PMI Services	Jun	pts	53.3		58.4	55.0
09:55	DE	Markit Germany Services PMI	Jun	pts	45.8		47.3	45.8
10:00	EZ	Eurozone Services PMI	Jun	pts	47.3		48.3	47.3
MONDAY (6 July)								
08:00	DE	Factory Orders	May	% y/y	-26.0		-29.3	-36.0
09:00	HU	Retail Sales	May	%y/y	-3.8		-2.1	-10.2
11:00	EZ	Retail Sales	May	% y/y	-6.5		-5.1	-19.6
15:45	US	PMI services	Jun final	pts	46.7		47.9	37.5
16:00	US	ISM non-manufacturing	Jun	pts	50.0		57.1	45.4
TUESDAY (7 July)								
08:00	DE	Industrial Production	May	% y/y	-19.3		-19.3	-25.3
09:00	CZ	Industrial Output	May	% y/y	-22.4			-33.7
10:00	PL	Foreign Exchange Reserves	Jun	EUR bn				132.8
18:00	RU	CPI	Jun	% y/y	3.2			3.0
WEDNESDAY (8 July)								
03:30	CN	CPI	Jun	%y/y	2.5			2.4
09:00	HU	CPI	Jun	%y/y	3.0			2.2
09:00	CZ	Retail Sales	May	%y/y	-21.2			-14.7
THURSDAY (9 July)								
08:00	DE	Current Account	May	EUR bn				7.7
08:00	DE	Trade Balance	May	EUR bn				3.6
09:00	HU	Trade Balance	May	EUR bn				-0.56
10:00	CZ	Foreign Exchange Reserves	Jun	USD bn				149.0
14:30	US	Initial Jobless Claims	May	thousand				1427
FRIDAY (10 July)								
03:45	FR	Industrial Production	May	%y/y	-26.2			-34.2
09:00	CZ	CPI	Jun	%y/y	2.9			2.9

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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