

# Eyeopener

## German exports below expectations

Stock market optimism cooled down  
Zloty under some pressure, broke 4.47  
Polish bond yields stable, NBP bought papers worth PLN5.1bn  
Today trade balance in Hungary, initial jobs claims in the USA

On Wednesday stock markets in Europe were going down a bit, possibly on further development of the pandemic in the USA – the total number of infections exceeded 3mn. This morning however the sentiment is positive again, judging by the Asian session. The dollar weakened substantially yesterday (dollar index down 0.5% to 96.5) which supported a vast majority of EM currencies. Core market yields were stable, gold got more expensive and breached US\$1800/oz already. Data on German foreign trade for May proved worse than expected, both export and import growth was below consensus and this a negative harbinger for Polish trade.

**EURUSD** opened on Wednesday around 1.127, in the second part of the day it rose quite sharply by 0.5% and when stock markets were closing it tested the local maximum of 1.135, which it failed several times to exceed in the past weeks (eg. on 16 June, 23 June, 6 July).

**EURPLN** has increased noticeably (by roughly 0.2%) for a second day in a row and broke above the tight 4.46-4.47 range which held well in previous few days. EURPLN after having briefly breached the 4.483 level e.g. local high from the 2nd week of June the pair moved back to below 4.48 and hence, from technical analysis perspective, currently the pair resides within a wider range of 4.44-4.48. Despite zloty weakening the realized volatility remains low (1WK at about 6%).

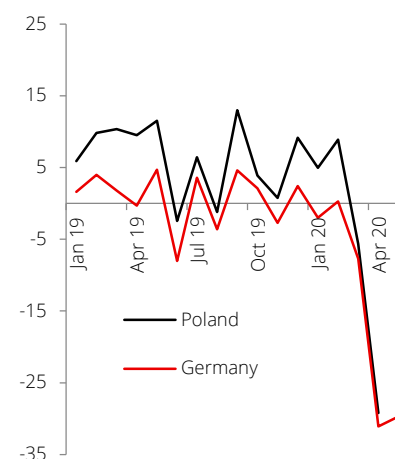
**ECB chairwoman Christine Lagarde** told Financial Times that the ECB has time to assess the effectiveness of the already taken measures and can patiently watch the incoming economic data. What is more, she thinks that the launch of the EUR750bn fund proposed by the European Commission will be a breakthrough, especially if it is based mostly on grants rather than loans. According to Lagarde the upcoming 18 July EU summit (next Saturday) will not be a milestone (Hungarian PM Viktor Orban expressed similar doubts yesterday) and the decisions might come around the end of the month.

As for the other CEE currencies: **EURHUF** increased 0.4% to 355 and at the end of the day decreased to 354.9. Hungarian June inflation increased to 2.9% y/y from the 2.2% y/y a month before (vs expectations at 3.0% y/y). The core inflation increased 4.0% y/y. The increase took place because of food (up 7.8% y/y), while the contribution of fuel was negative (down 11.6% y/y). The services part of inflation is – similarly to Poland – difficult to measure and this might contribute to inflation surprises in the short term. Currently the Hungarian inflation is almost at the NBH inflation target at 3.0% y/y. **Czech retail sales** decreased in May by 12.2% y/y (vs expectations at -14.4% y/y, last month at -21.5% y/y). The CSU (Czech statistical office) commented that the sale of food and fuels declined while that of non-food products increased, as home appliances sold online. **EURCZK** briefly spiked to above 26.80 (+0.3%) after which it declined 0.5% to 26.68 closing the day 0.2% stronger (lower). **USDRUB** declined by 0.3% to 71.3. The Russian June CPI published at the evening was close to expectations and have not influenced the currency pair by much. The inflation at 3.2% y/y equalled expectations, while month ago stood at 3.0% y/y. The core inflation at 2.9% y/y vs expectations and last print at 3.0% y/y.

On the **domestic interest rate market** FRA rates did not change on Wednesday, with FRA9x12 remaining at 0.20%. IRS rates were decreasing slightly, e.g. 2Y from 0.29% to 0.28%, 10Y from 0.93% to 0.91%. Bond yields remained stable, with 2Y at 0.11% and 10% still near 1.36%-1.37%.

**NBP at the yesterday's auction** was planning to buy back 7 series of bonds, including 4 government bonds (DS1023, DS0726, DS0727, WS0428) and 3 state-guaranteed bonds (BGK's FPC0630, FPC0725 and PFR's PFR062) worth PLN12bn in total. Overall, the central bank repurchased bonds worth PLN5.1bn (including POLGBs worth PLN0.77bn and BGK's bonds worth PLN4.2bn), which resulted from generally low supply of government bonds and commercial banks' unwillingness to sell them.

### European Commission's economic forecasts



Source: Destatis, NBP

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.4707 | CZKPLN  | 0.1668 |
| USDPLN | 3.9376 | HUFPLN* | 1.2480 |
| EURUSD | 1.1356 | RUBPLN  | 0.0555 |
| CHFPLN | 4.2026 | NOKPLN  | 0.4197 |
| GBPPLN | 4.9750 | DKKPLN  | 0.5982 |
| USDCNY | 6.9880 | SEKPLN  | 0.4287 |

\*for 100HUF

### Last session in the FX market

08.07.2020

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.469 | 4.485 | 4.472 | 4.480 | 4.474  |
| USDPLN | 3.950 | 3.975 | 3.966 | 3.955 | 3.967  |
| EURUSD | 1.126 | 1.134 | 1.128 | 1.133 | -      |

## Interest rate market

08.07.2020

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

| Benchmark (term) | %    | Change (bps) | Last auction | Series | Average yield |
|------------------|------|--------------|--------------|--------|---------------|
| PS0422 (2Y)      | 0.14 | 2            | 5.03.2020    | OK0722 | 1.225         |
| PS1024 (5Y)      | 0.75 | 0            | 5.03.2020    | PS1024 | 1.431         |
| DS1029 (10Y)     | 1.36 | -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   | 0.20 | 0            | 0.25 | 0            | -0.45      | 1            |
| 2L   | 0.28 | 0            | 0.22 | 1            | -0.38      | 0            |
| 3L   | 0.36 | 0            | 0.23 | 0            | -0.37      | 2            |
| 4L   | 0.46 | -1           | 0.27 | 2            | -0.36      | 1            |
| 5L   | 0.57 | -1           | 0.35 | 4            | -0.34      | 1            |
| 8L   | 0.80 | 0            | 0.53 | 2            | -0.24      | 1            |
| 10L  | 0.91 | -1           | 0.63 | 2            | -0.16      | 1            |

## WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 0.10 | 0            |
| T/N  | 0.10 | -1           |
| 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  | 0.18 | -1           |
| 9x12 | 0.18 | 0            |
| 3x9  | 0.20 | -1           |
| 6x12 | 0.22 | -2           |

## Measures of fiscal risk

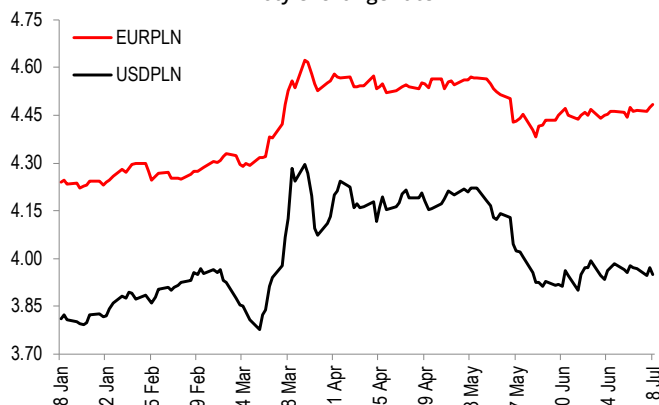
| Country  | CDS 5Y USD |              | 10Y spread* |              |
|----------|------------|--------------|-------------|--------------|
|          | Level      | Change (bps) | Level       | Change (bps) |
| Poland   | 57         | 0            | 180         | 0            |
| France   | 12         | 0            | 31          | 0            |
| Hungary  | 76         | 0            | 285         | -1           |
| Spain    | 74         | 0            | 86          | 1            |
| Italy    | 119        | 0            | 172         | 0            |
| Portugal | 41         | 0            | 86          | 1            |
| Ireland  | 21         | -1           | 44          | 0            |
| Germany  | 10         | 0            | -           | -            |

\* 10Y treasury bonds over 10Y Bunds

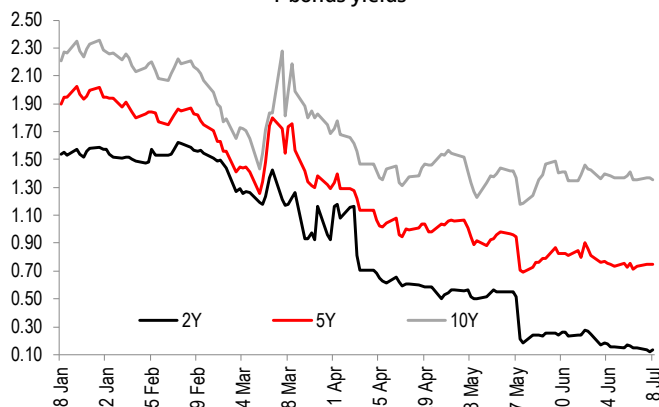
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

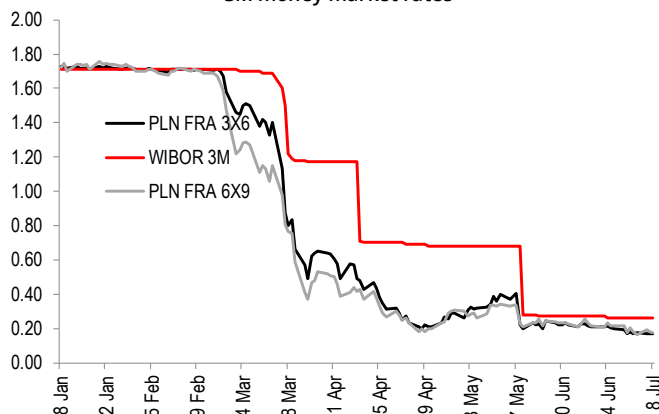
## Zloty exchange rate



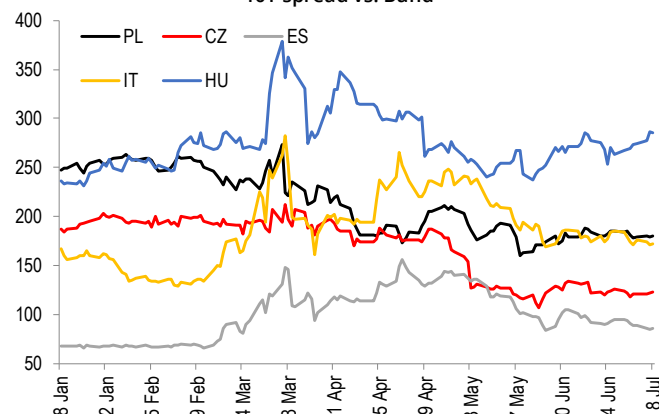
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| TIME<br>CET               | COUNTRY   | INDICATOR                        | PERIOD     |               | FORECAST<br>MARKET | SANTANDER | ACTUAL<br>VALUE | LAST<br>VALUE* |
|---------------------------|-----------|----------------------------------|------------|---------------|--------------------|-----------|-----------------|----------------|
| <b>FRIDAY (3 July)</b>    |           |                                  |            |               |                    |           |                 |                |
| 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           |
| <b>MONDAY (6 July)</b>    |           |                                  |            |               |                    |           |                 |                |
| 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           |
| <b>TUESDAY (7 July)</b>   |           |                                  |            |               |                    |           |                 |                |
| 08:00                     | DE        | Industrial Production            | May        | % y/y         | -16.9              |           | -19.3           | -25.3          |
| 09:00                     | CZ        | Industrial Output                | May        | % y/y         | -22.4              |           | -29.5           | -33.7          |
| <b>10:00</b>              | <b>PL</b> | <b>Foreign Exchange Reserves</b> | <b>Jun</b> | <b>EUR bn</b> |                    |           | <b>129.0</b>    | <b>132.8</b>   |
| 10:00                     | HU        | Industrial Production            | May        | % y/y         | -36.6              |           | -24.3           | -27.6          |
| <b>WEDNESDAY (8 July)</b> |           |                                  |            |               |                    |           |                 |                |
| 09:00                     | HU        | CPI                              | Jun        | %y/y          | 3.0                |           | 2.9             | 2.2            |
| 09:00                     | CZ        | Retail Sales                     | May        | %y/y          | -14.4              |           | -12.2           | -21.5          |
| 18:00                     | RU        | CPI                              | Jun        | % y/y         | 3.2                |           | 3.2             | 3.0            |
| <b>THURSDAY (9 July)</b>  |           |                                  |            |               |                    |           |                 |                |
| 03:30                     | CN        | CPI                              | Jun        | %y/y          | 2.5                |           |                 | 2.4            |
| 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           |
| <b>FRIDAY (10 July)</b>   |           |                                  |            |               |                    |           |                 |                |
| 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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