

16 July 2020

Eyeopener

Today ECB meeting

Market mood improves as vaccine hopes increase
 Polish final CPI in line with expectations
 EURPLN stable but abruptly rises in the morning, EURUSD higher still
 Quiet day on Polish fixed income, BGK issued more bonds
 Today core CPI in Poland, ECB meeting, and a lot of data from the US

On Wednesday markets continued to recover after several days of negative mood. During the yesterday session, the factor driving equity rebound, mild core market debt weakness and depreciation of safe haven currencies was a rise of hope for a coronavirus vaccine, after one of the US companies informed about positive results of another phase of tests. What is more, investors became more optimistic about the EU summit coming later this week, where details of the new European economy stimulus program are to be discussed. Risk appetite was also supported by better than expected data on US industrial output for June and Empire manufacturing index for July. At night, Chinese GDP proved higher than expected by Asian stock indexes fell nonetheless.

June CPI inflation was confirmed at flash 3.3% y/y. The increase from 2.9% y/y in May was driven mostly by higher fuel prices (+0.2pp to the headline) and core inflation, which likely jumped to 4.3% y/y from 3.8% y/y (official data due for release tomorrow). We are expecting inflation to go down in the months to come, below 2% y/y in early 2021, yet some short-term upward disruptions due to the coronavirus effect are possible.

Preliminary GUS data on foreign trade for May showed a rebound of exports to euro zone and other developed countries while imports from these directions stayed depressed, as a result trade balance in goods was the highest since at least 2004. We wrote more on this in yesterday [economic comment](#).

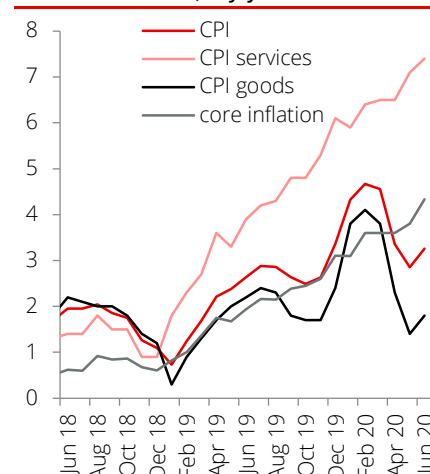
Yesterday **EURUSD** climbed for the fourth time in a row and reached 1.145 after breaking the local peak set in early June. The upward move was supported by positive moods on the global market and weak demand for safe assets. At the end of the day the dollar managed to trim some of its losses and the rate ended the day at 1.142. Today the trade is likely to stabilise ahead of the ECB decision. At the last meeting the ECB increased its target of asset purchases and prolonged it, so the market is not expecting further actions. As a result, EURUSD may be more reactive to global market sentiment and data from the USA. In our view, breaking 1.142 opens the way to 1.15. Today in the morning the pair is slightly below 1.14.

EURPLN was hovering on Wednesday around the Tuesday's close at c4.47. Further rise of EURUSD allowed USDPLN to fell temporarily to 3.90 (at the end of the day was back at 3.92). The zloty did not benefit from the optimism prevailing on the global market. On Thursday's early morning, EURPLN jumped sharply to 4.495 and at the opening of the Polish session it is near 4.487. Such abrupt moves may mean that there is a higher probability for EURPLN to test 4.50 soon.

In case of the **other CEE currencies**, the exchange rates remained with the trading ranges determined in the previous days and no big moves were recorded. Only EURCZK saw some bigger intraday volatility after it first fell 0.4% to 26.55 and then rebounded back to 26.65 closing the day flat.

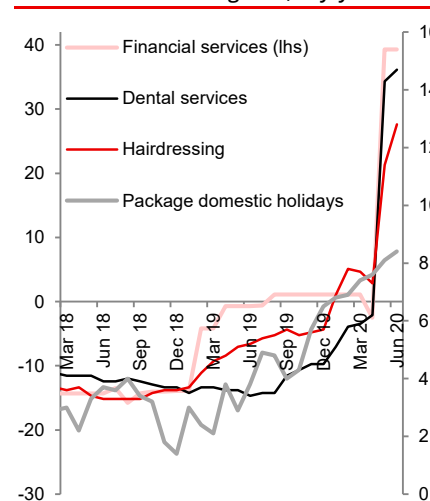
On the **domestic interest rate market** the Wednesday's session did not bring any meaningful changes. The bond curve shifted 1bp down while the IRS curve moved up at a similar scale. The 10Y PL-DE bond yield spread stayed close to 180bp. Yesterday the state owned BGK bank issued 5Y and 10Y bonds for the total amount of PLN9.14bn. The shorter bonds attracted most of the demand (PLN7.4bn). Overall, the BGK issued already bonds for PLN64.1bn. The next auction is scheduled for July 29 but whether it will be organized or not will depend on the forecasted demand for funds from the anti-crisis program. In August, the BGK bond issuances may be much smaller than in the previous months.

Inflation measures, % y/y



Source: GUS, NBP, Santander

Selected inflation categories, % y/y



Source: GUS, 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 Łuziński +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	4.4832	CZKPLN	0.1662
USDPLN	3.9344	HUFPLN*	1.2669
EURUSD	1.1395	RUBPLN	0.0554
CHFPLN	4.1571	NOKPLN	0.4214
GBPPLN	4.9323	DKKPLN	0.5982
USDCNY	7.0009	SEKPLN	0.4322

*for 100HUF

Last session in the FX market

7/15/2020

	min	max	open	close	fixing
EURPLN	4.465	4.477	4.470	4.473	4.474
USDPLN	3.901	3.926	3.922	3.922	3.912
EURUSD	1.139	1.145	1.139	1.141	-

Interest rate market

7/15/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.13	0	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.81	0	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.36	-1	5.03.2020	DS1029	1.725

IRS on the interbank market**

RIS on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.21	0	0.26	0	-0.45	-1
2L	0.29	1	0.22	1	-0.38	-1
3L	0.38	1	0.23	1	-0.38	0
4L	0.48	1	0.27	-1	-0.37	-1
5L	0.59	2	0.34	1	-0.35	-1
8L	0.81	3	0.50	-2	-0.26	-1
10L	0.92	3	0.60	-1	-0.18	0

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.13	-1
2W	0.18	0
1M	0.23	0
3M	0.25	0
6M	0.28	0
1Y	0.29	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.23	1
3x6	0.18	0
6x9	0.20	1
9x12	0.21	1
3x9	0.22	1
6x12	0.24	1

Measures of fiscal risk

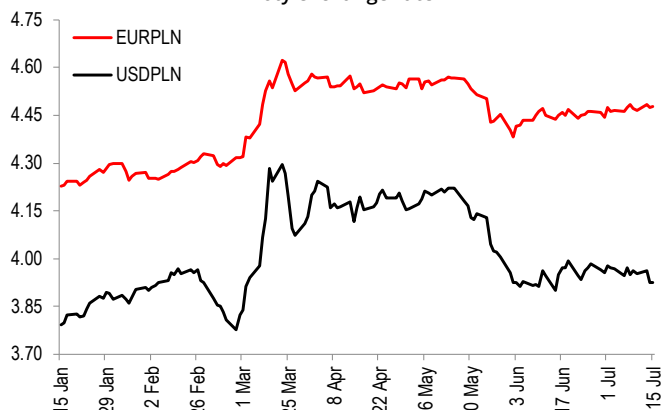
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	181	0
France	12	0	31	0
Hungary	76	0	291	2
Spain	78	1	87	2
Italy	121	-1	171	0
Portugal	46	0	89	1
Ireland	21	0	43	0
Germany	10	0	-	-

* 10Y treasury bonds over 10Y Bunds

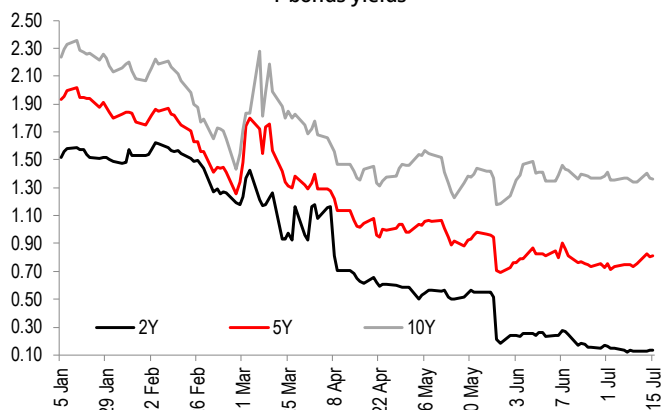
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

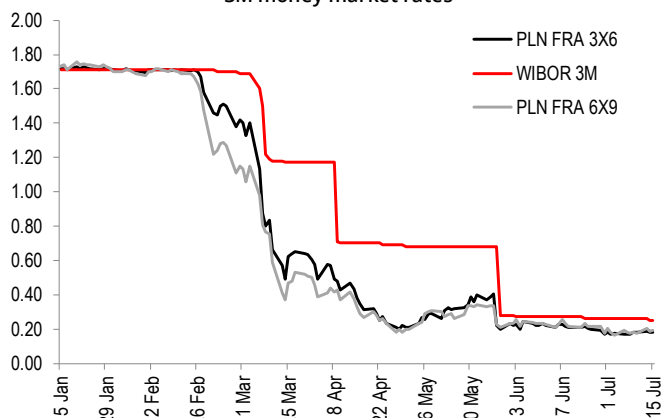
Zloty exchange rate



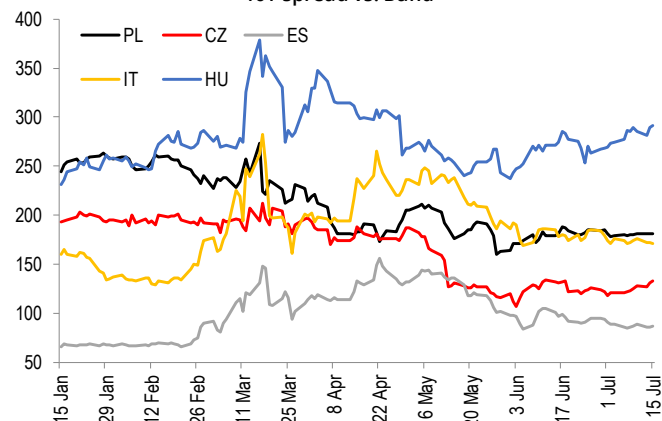
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (10 July)								
09:00	CZ	CPI	Jun	% y/y	2.9	-	3.3	2.9
TUESDAY (14 July)								
	PL	MPC decision		%	0.1	0.1	0.1	0.1
08:00	DE	HICP	Jun	% m/m	0.7	-	0.7	0.7
11:00	EZ	Industrial Production SA	May	% m/m	9.0	-	12.4	-18.2
11:00	DE	ZEW Survey Current Situation	Jul	pts	-62.5	-	-80.9	-83.1
14:00	PL	Current Account Balance	May	€mn	772	857	2 455	1156
14:00	PL	Trade Balance	May	€mn	176	-290	1 250	-48
14:00	PL	Exports	May	€mn	15 960	15 427	15 700	13 789
14:00	PL	Imports	May	€mn	15 915	15 717	14 450	13 837
14:30	US	CPI	Jun	% m/m	0.6	-	0.6	-0.1
WEDNESDAY (15 July)								
10:00	PL	CPI	Jun	% y/y	3.3	3.3	3.3	3.3
15:15	US	Industrial Production	Jun	% m/m	4.8	-	5.4	1.4
THURSDAY (16 July)								
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-		0.0
14:00	PL	CPI Core	Jun	% y/y	4.1	4.3		3.8
14:30	US	Initial Jobless Claims	week	k	1 375	-		1 314
14:30	US	Retail Sales Advance	Jun	% m/m	5.5	-		17.7
14:30	US	Index Philly Fed	Jul	pts	20.0	-		27.5
FRIDAY (17 July)								
10:00	PL	Publication of „Inflation report“						
10:00	PL	Employment in corporate sector	Jun	% y/y	-3.9	-3.7		-3.2
10:00	PL	Average Gross Wages	Jun	% y/y	1.6	0.6		1.2
11:00	EZ	HICP	Jun	% y/y	0.3	-		0.3
14:30	US	Housing Starts	Jun	% m/m	21.15	-		4.3
16:00	US	Michigan index	Jul	pts	80.0	-		78.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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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>.