

# Eyeopener

## Business sentiment still rising

Equity markets finish the week with gains, the dollar flat on Friday  
 Core market yields on down by 2bp  
 EURPLN tests 4.48 again, long domestic bonds stronger  
 Today Polish 1Q GDP details, German May inflation

On Friday global equity markets kept rising. In one week the S&P500 index rose 1.2% to 4215. Dollar initially strengthened versus the basket of currencies, and then fell back to the opening level, which was also the previous week's close. UST yield fell by 2bp to 1.59% and Bund also by 2bp to -0.18%. Prices of gold (\$1900/oz) and crude oil (\$67/barrel) did not change. Friday saw new positive signals from Europe: in Switzerland the leading indicator KOF rose in May to its highest level on record, beating market expectations by 11.2pts. European Commission's ESI index also exceeded forecasts rising by "only" 2.2pp. German import prices increased 10.4% y/y, more than expected by 0.4pp. PPI growth in Italy in April reached 7.9% y/y, Spanish retail sales rebounded strongly. US PCE deflator rose in April 3.6% y/y (and its core component 3.1% y/y), exceeding already high expectations by 0.1-0.2pp. Chinese manufacturing PMI at 51.0 was consistent with forecast and close to the previous reading. Data from Japan were slightly disappointing (retail sales and production). All EU countries have already approved the launch of the Recovery Plan, the next step will be to obtain funds by the EC on the market. Today the USA and the UK have a public holiday.

According to the **business sentiment indicators for Poland (ESI)** the May reopening of the economy has made a noticeable positive impact on the services, retail trade and consumer confidence business cycle indicators. The ones for the manufacturing and building sectors have not changed much though (the former stabilized at the level slightly higher than before the pandemic, the latter still remained a lot below its pre-pandemic level). As for manufacturing it was the assessment of the current production that printed the strongest, on the contrary the expected production subcomponent slightly declined. The expected selling prices subcomponent moved up to the highest level since 2004. The prices subcomponent in the building industry has increased as well - to the highest in 12 years. The two latest readings of prices in the retail trade subsector are the highest in 9 years. In the consumers survey part the especially big improvements occurred in the assessment of the current state of the economy as well as unemployment risks. Consumers attitude towards major purchases over the next 12 months reached the highest level in the 20-year history of the survey. It is worth noting that consumers inflation expectations, despite increasing on a m/m basis, remained significantly below the levels seen during Q1 2021 while headline CPI has pushed much higher since then.

**EURUSD** closed at 1.22 on Friday, unchanged versus the last Friday and Thursday. The intraday volatility was high, however - the rate was temporarily down to 1.213.

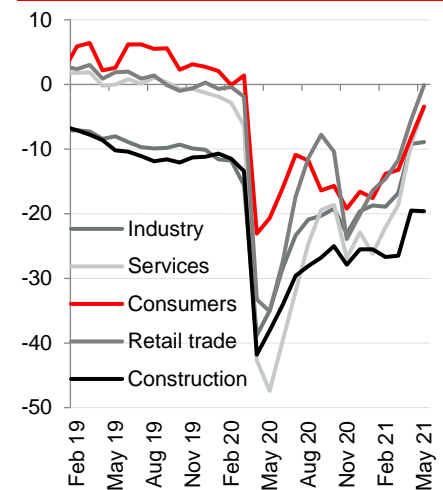
**EURPLN** started the Friday trade at 4.49 and reached 4.48 during the day. The pair rebounded from this level four times last week, but we think it is likely to be eventually broken and the slow zloty appreciation will continue, especially if tomorrow's inflation print will prove higher than expected.

In the **CEE region** EURHUF did not change (348.2) and did not react to rather old (March) data on wages (+8.7% y/y versus expectations at 8.9% y/y). EURCZK climbed slightly and ended the day at 25.45. The ruble basket fell to 80.5 with USDRUB down to 73.2 amid stable dollar.

The Polish **interest rate market** was calm on Friday - IRS rates went down by 2-3bp, 5Y ended the day at 1.51% and 10Y at 1.92%. The short end of the yield curve was clearly under upward market pressure. Meanwhile, 10Y government bond yield fell by 3bp to 1.89%. 10Y ASW is still at -3bp, while spread to Bund in 10Y sector climbed to 209bp.

**Today** we will get to see the details of Polish GDP growth in 1Q21. We estimate that private consumption declined by 1% y/y and fixed investments by 14% y/y. We still think that the most likely scenario is sharp revival of economic activity in 2H21. **This week** also May's PMI index for Polish manufacturing and flash CPI are due for release. Both are likely to go up versus the previous readings. Apart from that, the week will be dominated by data releases abroad: in Europe on top of inflation data and PMIs we will see more GDP releases, retail sales, and the week will conclude with US non-farm payrolls data.

ESI sentiment indicators



Source: European Commission, Santander

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**FX market**

Today's opening			
EURPLN	4.4826	CZKPLN	0.1745
USDPLN	3.6769	HUFPLN*	1.2892
EURUSD	1.2193	RUBPLN	0.0502
CHFPLN	4.0823	NOKPLN	0.4387
GBPPLN	5.2146	DKKPLN	0.6023
USDCNY	6.3695	SEKPLN	0.4419

\*for 100HUF

Last session in the FX market						28.05.2021
	min	max	open	close	fixing	
EURPLN	4.479	4.494	4.489	4.481	4.485	
USDPLN	3.672	3.697	3.682	3.675	3.677	
EURUSD	1.213	1.220	1.219	1.219	-	

**Interest rate market** 28.05.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.34	3
DS0725 (5Y)	1.30	-2
DS1030 (10Y)	1.89	-3

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.40	-2	0.14	-1	-0.54	-1
2L	0.78	-2	0.23	-1	-0.47	-1
3L	1.09	-2	0.43	1	-0.41	-1
4L	1.33	-2	0.65	-1	-0.34	-1
5L	1.51	-3	0.87	-1	-0.26	-1
8L	1.79	-3	1.35	-1	-0.02	-1
10L	1.92	-3	1.55	-1	0.12	-1

**WIBOR rates**

Term	%	Change (bps)
O/N	0.08	-2
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.25	0
1Y	0.26	0

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

Term	%	Change (bps)
1x4	0.24	0
3x6	0.31	-1
6x9	0.47	-2
9x12	0.66	1
3x9	0.41	1
6x12	0.60	-1

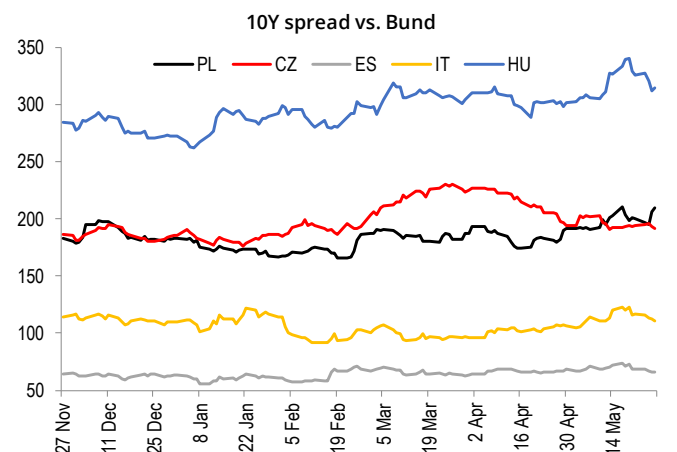
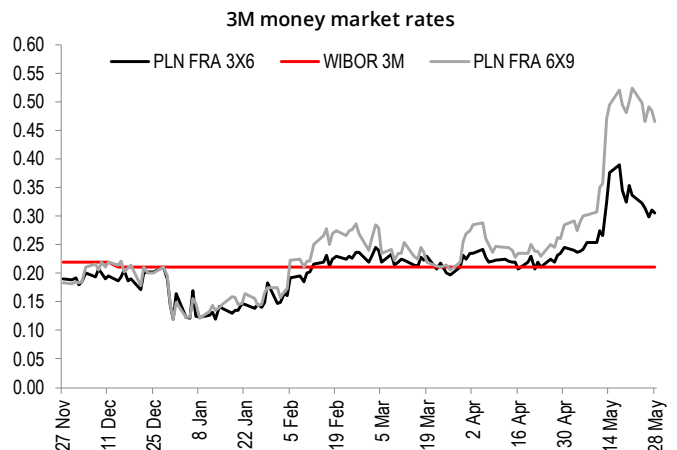
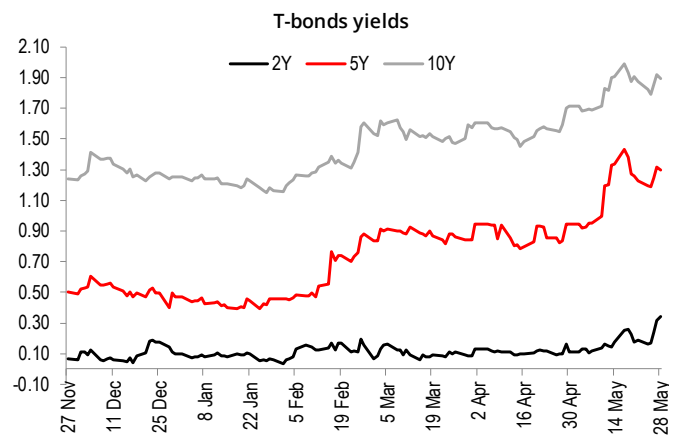
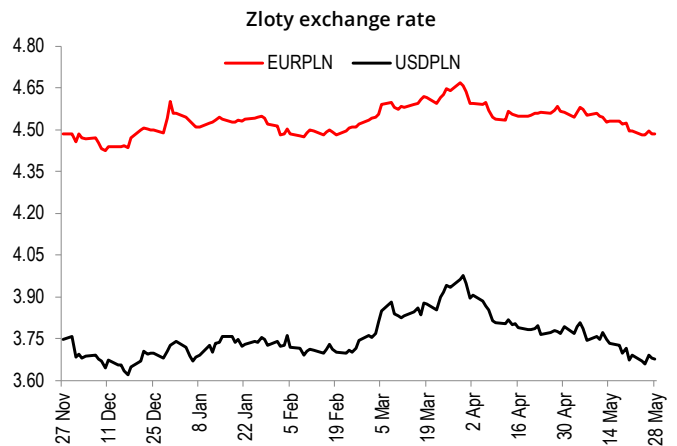
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	209	3
France	10	0	36	0
Hungary	64	0	314	2
Spain	35	0	66	0
Italy	46	0	111	-2
Portugal	21	0	66	0
Ireland	11	0	40	0
Germany	8	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



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
<b>FRIDAY (28 May)</b>							
11:00	EZ	ESI	May	pct.	112.1	114.5	110.3
14:30	US	Personal Spending	Apr	% m/m	0.5	0.5	4.2
14:30	US	Personal Income	Apr	% m/m	-14.2	-13.1	21.1
14:30	US	PCE Deflator SA	Apr	% m/m	0.6	0.6	0.5
16:00	US	Michigan index	May	pts	83.0	82.9	82.8
<b>MONDAY (31 May)</b>							
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>1Q</b>	<b>% y/y</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-</b>
14:00	DE	HICP	May	% m/m	0.3	-	0.5
<b>TUESDAY (1 June)</b>							
09:00	CZ	GDP SA	1Q	% y/y	-2.1	-	-2.1
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>May</b>	<b>pts</b>	<b>54.5</b>	<b>55.0</b>	<b>-</b>
09:00	HU	GDP	1Q	% y/y	-2.3	-	-2.3
09:55	DE	Germany Manufacturing PMI	May	pts	64.0	-	64.0
10:00	EZ	Eurozone Manufacturing PMI	May	pts	62.8	-	62.8
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>May</b>	<b>% y/y</b>	<b>4.9</b>	<b>4.8</b>	<b>-</b>
11:00	EZ	Flash HICP	May	% y/y	1.9	-	1.6
11:00	EZ	Unemployment Rate	Apr	%	8.1	-	8.1
16:00	US	ISM manufacturing	May	pts	61.0	-	60.7
<b>THURSDAY (3 June)</b>							
03:45	CN	Caixin China PMI Services	May	pts	56.0	-	56.3
09:55	DE	Markit Germany Services PMI	May	pts	52.8	-	52.8
10:00	EZ	Eurozone Services PMI	May	pts	55.1	-	55.1
14:15	US	ADP report	May	k	700.0	-	742.2
14:30	US	Initial Jobless Claims		k		-	406.0
16:00	US	ISM services	May	pts	63.0	-	62.7
<b>FRIDAY (4 June)</b>							
11:00	EZ	Retail Sales	Apr	% m/m	-1.7	-	2.7
14:30	US	Durable Goods Orders		% m/m		-	-1.3
14:30	US	Change in Nonfarm Payrolls	May	k	663.0	-	266.0
14:30	US	Unemployment Rate	May	%	5.9	-	6.1
16:00	US	Factory Orders	Apr	% m/m	0.5	-	1.1

Source: Santander Bank Polska, Bloomberg, Parkiet  
\* in the case of a revision the data is updated

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