

Eyeopener

Dollar supported by strong US data

Surprisingly strong ADP index strengthened the dollar, weighed on US equities
 EURPLN still around 4.46
 Domestic bond yields slightly lower, core market yields up
 Today US labour market report

On Wednesday main global stock indexes continued the rise from the previous day, the dollar got slightly stronger and UST yield was 2-3bp lower (1.59% on 10Y) and so was Bund yield (-0.20%). Most of EM currencies were getting stronger and oil prices kept climbing. On Thursday the markets were shaken by the surprisingly strong ADP report pushing up market expectations ahead of today's official US non-farm payrolls data. It caused a significant appreciation of the dollar, a decline of US equity indexes and a rise of UST (to 1.63%) and Bund yields (to around -0.18%). Other key macro data were also surprising positively – 1Q GDP growth in Australia beat forecasts by 0.5pp, April Eurozone PPI (7.6% y/y) came above expectations. Final PMI report on services confirmed a strong rebound in Europe and the USA. The disappointing items were German retail sales (-5.7% y/y in April, but with non-food part at +10.6% y/y) and Chinese services PMI.

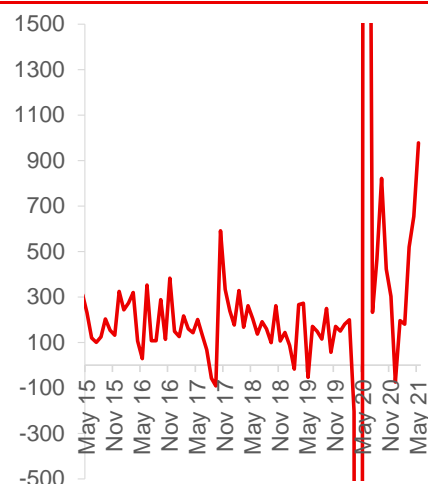
EURUSD on Wednesday declined by 0.2% to 1.22 and only with the support of the Thursday solid ADP reading the dollar was able to fall radically to almost 1.211 vs the euro. Today the FX rate will be sensitive to NFP data.

EURPLN opened on Wednesday at 4.46, spent some time above it (up to 4.47), but eventually closed flat on the day. On Friday morning the exchange rate is still in the same place albeit it traded mostly below the level during the public holiday in Poland yesterday. USDPLN was a different story – the dollar response to the strong US data sent the FX rate to 3.68 from 3.65. There are some local events important for the zloty coming next week: on Wednesday the MPC meeting and on Friday (a video conference of NBP governor, not yet confirmed).

As for the **other CEE currencies**, EURHUF was stable on Wednesday (346.0) but on Thursday it reversed the month-to-date decline reaching 347.5. It seems EURCZK switched from stagnation in late May around 2545 to a downside trend (this morning the FX pair is close to 25.36). The ruble encouraged by the oil prices' upside response to this week's OPEC+ decisions reached yesterday 73.2 vs the dollar.

On the Polish **fixed income market** IRS rates corrected lower (by c.3bp, with 10Y down to 1.86%) on the long end of the curve while the short end remained relatively stable (2Y at 0.79%). When it comes to the government bonds, yields also moved down (e.g. 10Y to 1.85%) but we think that in the near future they will be growing again (to at least 1.90%) and the ASW will keep normalising (i.e. to widen to and above zero) as the markets expect a gradual withdrawal from QE. Volatility on the bond market may stay low before the Wednesday MPC meeting and the potential speech by NBP governor Adam Glapiński. The Bund spread remains close to 205bp. At the Monday (7 June) auction BGK is to offer PLN1bn worth of FPC0328 and FPC063 bonds¹. Up to now BGK issued Covid papers for PLN21bn out of the PLN33bn 2021 supply plan.

ADP m/m employment change in the USA (k)



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.4575	CZKPLN	0.1747
USDPLN	3.6805	HUFPLN*	1.2900
EURUSD	1.2109	RUBPLN	0.0502
CHFPLN	4.0666	NOKPLN	0.4380
GBPPLN	5.1855	DKKPLN	0.5992
USDCNY	6.4045	SEKPLN	0.4409

*for 100HUF

Last session in the FX market						03.06.2021
	min	max	open	close	fixing	
EURPLN	4.447	4.465	4.456	4.462	4.465	
USDPLN	3.648	3.684	3.651	3.681	3.666	
EURUSD	1.212	1.221	1.220	1.212	-	

Interest rate market 03.06.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.40	2
DS0725 (5Y)	1.29	0
DS1030 (10Y)	1.85	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.42	0	0.15	0	-0.53	0
2L	0.79	0	0.24	2	-0.47	1
3L	1.10	0	0.44	2	-0.41	1
4L	1.31	0	0.70	4	-0.34	1
5L	1.47	0	0.91	5	-0.26	1
8L	1.75	0	1.40	4	-0.02	2
10L	1.86	0	1.58	4	0.13	2

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
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	0
6x9	0.49	0
9x12	0.67	0
3x9	0.42	0
6x12	0.62	0

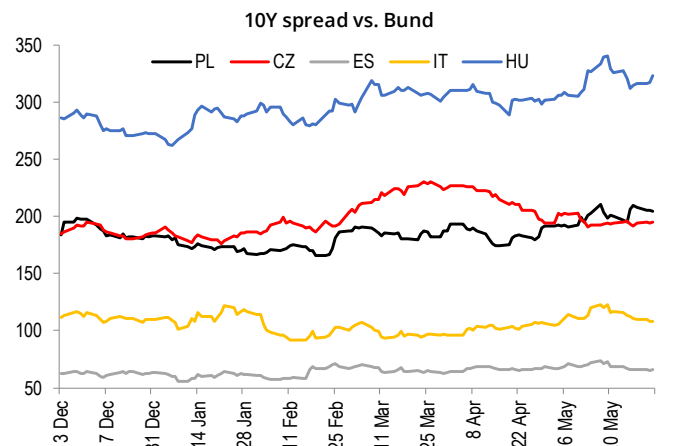
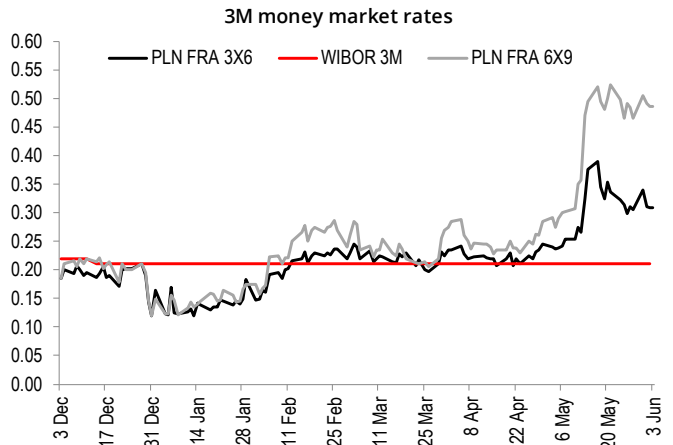
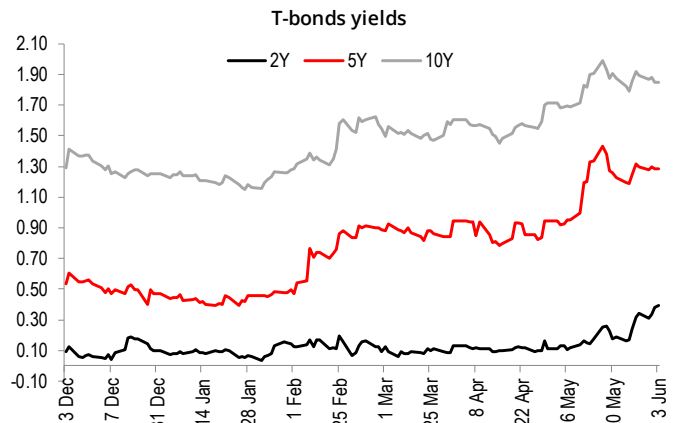
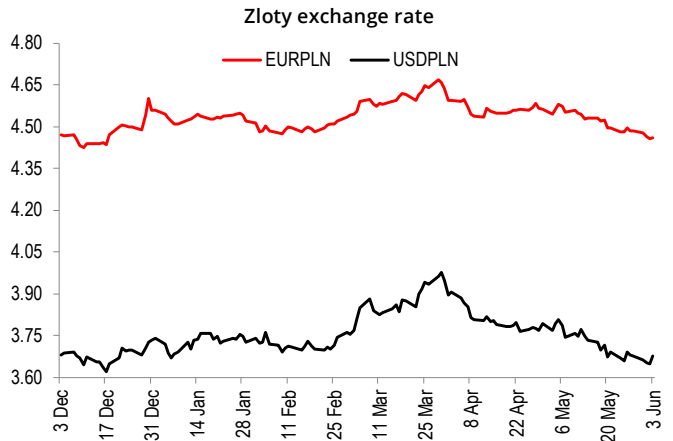
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	204	-1
France	10	0	36	1
Hungary	64	0	324	6
Spain	35	0	66	1
Italy	45	0	108	0
Portugal	20	0	65	1
Ireland	11	0	39	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		
FRIDAY (28 May)							
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
MONDAY (31 May)							
10:00	PL	GDP	1Q	% y/y	-1.2	-1.2	-0.9
14:00	DE	HICP	May	% m/m	0.3	0.3	0.5
TUESDAY (1 June)							
09:00	CZ	GDP SA	1Q	% y/y	-2.1	-2.1	-2.1
09:00	PL	Poland Manufacturing PMI	May	pts	54.5	55.0	57.2
09:00	HU	GDP	1Q	% y/y	-2.3	-2.1	-2.3
09:55	DE	Germany Manufacturing PMI	May	pts	64.0	64.4	64.0
10:00	EZ	Eurozone Manufacturing PMI	May	pts	62.8	63.1	62.8
10:00	PL	CPI	May	% y/y	4.9	4.8	4.8
11:00	EZ	Flash HICP	May	% y/y	1.9	2.0	1.6
11:00	EZ	Unemployment Rate	Apr	%	8.1	8.0	8.1
16:00	US	ISM manufacturing	May	pts	61.0	61.2	60.7
THURSDAY (3 June)							
03:45	CN	Caixin China PMI Services	May	pts	56.0	55.1	56.3
09:55	DE	Markit Germany Services PMI	May	pts	52.8	52.8	49.9
10:00	EZ	Eurozone Services PMI	May	pts	55.1	55.2	50.5
14:15	US	ADP report	May	k	700	978	654
14:30	US	Initial Jobless Claims		k		390	385
16:00	US	ISM services	May	pts	63.0	66.2	62.7
FRIDAY (4 June)							
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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