

Eyeopener

US data supported equities and currencies

Disappointing US employment data supported bonds, weakened dollar
 EURPLN returning to levels seen before US labour market reports
 Polish yield curve slightly more flat
 Today, German industrial orders, Czech production data

US labour market data were key for the Friday market session. Growing expectations for a high reading of the US non-farm payrolls fuelled by Thursday's ADP report were negative for the US stock markets, lifted core bond yields and made EURUSD move further down. As the numbers turned out not that good (employment up by 559k, while expectations were above 650k even before the 1mn ADP reading), these tendencies reversed rapidly. Equities rebounded (S&P by 0.7%, DAX by 0.4%), core yields declined even below trough reached in late May and EURUSD jumped by c.0.4%, opening room for stronger emerging currencies. US new industrial orders data proved disappointing (stronger-than-expected m/m decline despite downward revision of the previous reading), just like euro zone retail sales. Today's data on orders in German industry also disappointed slightly, showing a small m/m decline in spite of an expected increase, which caused some weakening of the euro versus the dollar.

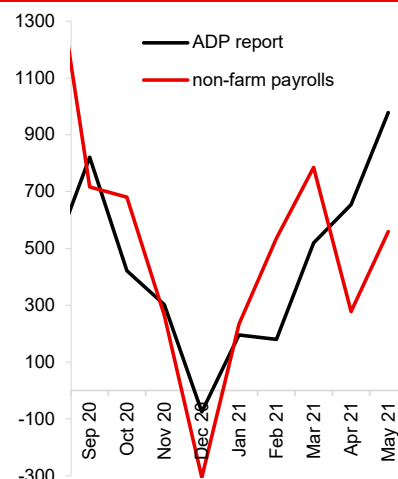
EURUSD was creeping lower to 1.21, but after the weak NFP print it quickly rebounded, covering most of the distance to 1.22. The jump was more or less equal in size to the Thursday fall after the ADP report. The exchange rate may now stay close to 1.22 awaiting another key US data coming this week (CPI and consumer sentiment).

EURPLN, after the public holiday on Thursday, started the Friday session from a move above 4.47, however the US data release made it return below 4.46 – the level it reached on 1 June and near which it then stabilised. We think there is still potential for PLN appreciation. It may be triggered by the local events this week: the post-meeting MPC statement on Wednesday and the likely video conference of NBP governor Adam Glapiński (not yet officially confirmed) on Friday. In the coming weeks we expect a decline of EURPLN to around 4.40, but if US data turn out strong, it may delay the moment the FX rate falls to this level.

As for the **other CEE currencies**, before the US data EURHUF remained at the highest levels since the start of the month but after the publication it returned below 346 – into the zone which blocked its descent in the previous two sessions. EURCZK remained close to 25.4, were it has been staying for the last two weeks – in case of this exchange rate the volatility caused by news from the US labour market was relatively low. USDRUB is already quite close to this year's minimum set in the middle of March. Thanks to Brent oil reaching and stabilising at US\$71/barrel, the ruble was resilient to the Thursday appreciation of the dollar and on Friday USDRUB declined below 73.0.

On the **Polish fixed income market** bond yields at the long end of the curve declined by 2bp on Friday (vs the Wednesday close), the belly has not changed while the front end ones increased by 4bp. The size of the moves was much smaller than the ones on the core markets where for example the 10Y UST yields dropped by 7bp to 1.56% after increasing by 4bp on Thursday. The daily decline of German Bunds stood at 3bp. Polish IRS curve remained stable on Friday (vs Wednesday). We assume that the market currently expects that the NBP will soon communicate the need to slow the bond purchases within the QE program. As a result in the nearest days we expect the 10Y POLGB yields to rise towards 1.90% while the ASW spread to widen further - going back to the positive territory for 10Y ones (5bp or so).

US m/m employment change (k)



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.4533	CZKPLN	0.1750
USDPLN	3.6629	HUFPLN*	1.2776
EURUSD	1.2156	RUBPLN	0.0503
CHFPLN	4.0722	NOKPLN	0.4403
GBPPLN	5.1741	DKKPLN	0.5990
USDCNY	6.4017	SEKPLN	0.4420

*for 100HUF

Last session in the FX market						04/06/2021
	min	max	open	close	fixing	
EURPLN	4.452	4.475	4.455	4.461	4.473	
USDPLN	3.662	3.696	3.679	3.665	3.693	
EURUSD	1.210	1.219	1.211	1.217	-	

Interest rate market 04/06/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.41	2
DS0725 (5Y)	1.28	-1
DS1030 (10Y)	1.83	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.41	-1	0.15	0	-0.53	0
2L	0.79	-1	0.23	-1	-0.47	0
3L	1.09	-1	0.41	-3	-0.42	-1
4L	1.31	0	0.64	-6	-0.35	-1
5L	1.47	0	0.84	-7	-0.28	-2
8L	1.74	-1	1.34	-6	-0.04	-2
10L	1.86	0	1.51	-7	0.11	-3

WIBOR rates

Term	%	Change (bps)
O/N	0.10	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	0.30	-1
6x9	0.48	-1
9x12	0.66	-2
3x9	0.39	-3
6x12	0.62	0

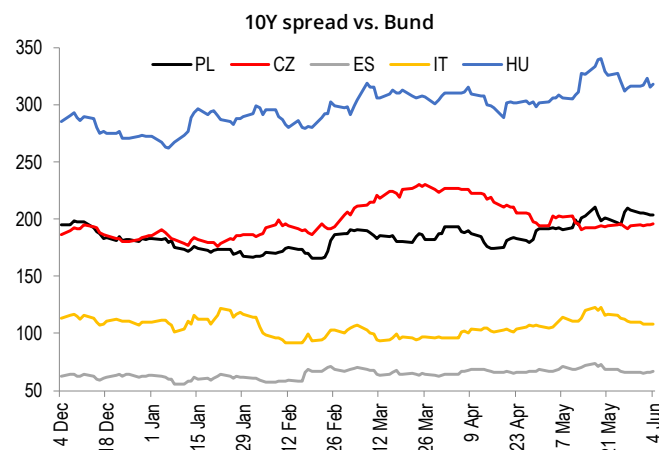
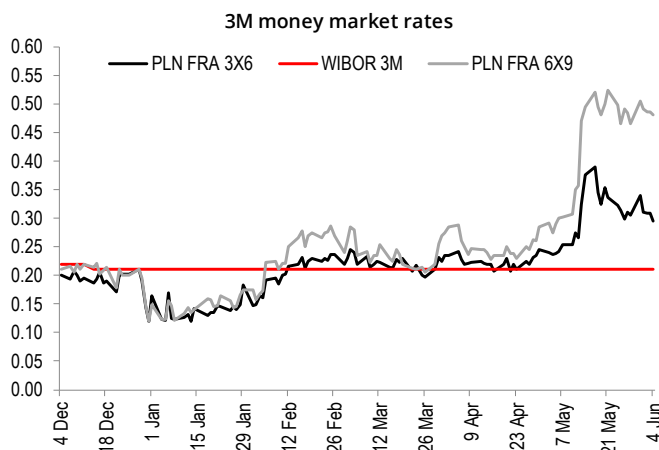
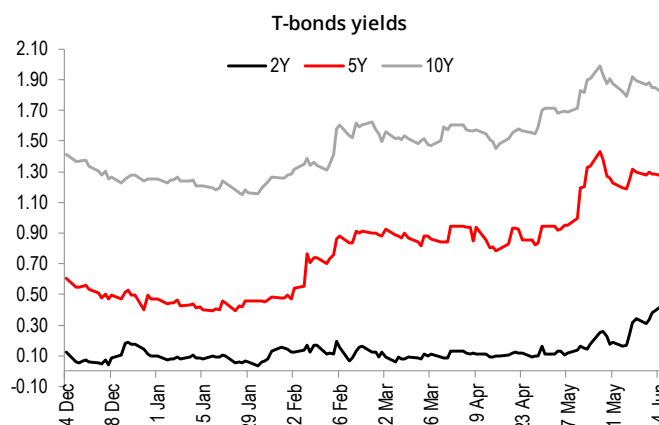
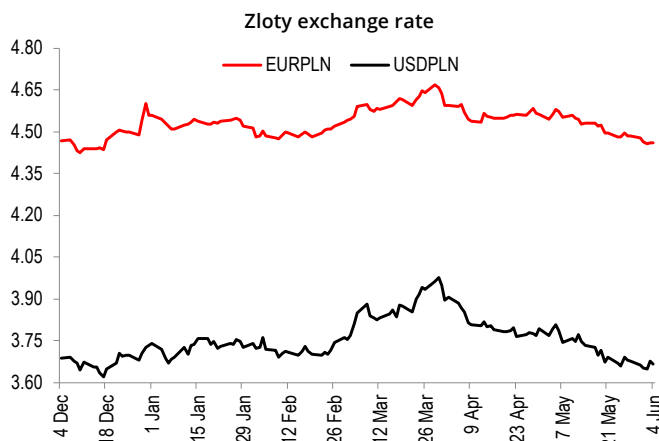
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	204	0
France	10	0	37	1
Hungary	64	0	318	2
Spain	35	0	67	1
Italy	46	0	108	0
Portugal	21	0	66	1
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			
FRIDAY (4 June)								
11:00	EZ	Retail Sales	Apr	% m/m	-1.5	-3.1	2.7	
14:30	US	Change in Nonfarm Payrolls	May	k	652.5	559	266.0	
14:30	US	Unemployment Rate	May	%	5.9	5.8	6.1	
16:00	US	Durable Goods Orders	Apr	% m/m	-1.3	-1.3	-1.3	
16:00	US	Factory Orders	Apr	% m/m	-0.3	-0.6	1.1	
MONDAY (7 June)								
08:00	DE	Factory Orders	Apr	% m/m	1.5	-0.2	3.0	
09:00	CZ	Industrial Production	Apr	% y/y	52.5	-	18.2	
TUESDAY (8 June)								
08:00	DE	Industrial Production SA	Apr	% m/m	0.7	-	2.5	
09:00	HU	Industrial Production SA	Apr	% y/y	-	-	16.2	
11:00	EZ	GDP SA	1Q	% y/y	-1.8	-	-1.8	
11:00	DE	ZEW Survey Current Situation	Jun	pts	-28.3	-	-40.1	
WEDNESDAY (9 June)								
	PL	MPC decision		%	0.10	0.10	-	0.10
08:00	DE	Exports SA	Apr	% m/m	0.8	-	1.3	
09:00	HU	CPI	May	% y/y	5.2	-	5.1	
THURSDAY (10 June)								
09:00	CZ	CPI	May	% y/y	-	-	3.1	
13:45	EZ	ECB Main Refinancing Rate	Jun/21	%	0.0	-	0.0	
14:30	US	CPI	May	% m/m	0.4	-	0.8	
14:30	US	Initial Jobless Claims		k	388.0	-	406.0	
FRIDAY (11 June)								
16:00	US	Michigan index	Jun	pts	83.25	-	82.9	

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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