

Eyeopener

Very good foreign trade data

European equities in black after solid data, US stock slightly lower
 Bond yields in core markets higher, stable dollar
 EURPLN rose for the second day, reaching important resistance
 Polish bonds stable, IRS and FRA rebounding after Friday's decline
 Today US retail sales and production, final inflation in Poland

The European stock markets started the new week with slight increases and the optimism was fuelled by better-than-expected data on April industrial output in the euro zone (early in the morning the April industrial output in Japan was revised by +0.4pp). UST bond yields went up by 4bp to 1.49% (Bund +2bp to -0.26%) after falling by 20bp last week, supporting the strong dollar and undermining CEE currencies despite positive macro data (good readings of balance of payments data in Turkey, Poland and Czechia).

In April Polish C/A balance was +€1740mn vs our estimate of €1721mn and market consensus at €997mn. We were more optimistic on goods exports than the market (64.8% y/y vs. 63.6%) but the outcome was even stronger (69.2% y/y). On the other hand we were pretty much right about goods imports (59.8% y/y vs. our 59.6% call), while the market expected 61.8%. The growth rates were so large due to the very low base effect: on April 2020 lockdowns froze large parts of international trade. But if we compare the results to April 2019 we can see that Poland's international trade is booming: export was up 19.1% and imports by 13.6%. The trade surplus in goods was almost €1bn higher than had been expected on the market. The services account showed a surplus of more than €2bn (up €350mn y/y and €130mn vs. April 2019), but the report indicates that the improvement is mostly seen in transport services while other services remain muted. There was a significant rebound on the outflows side of primary income account which may be a consequence of the surprisingly strong company results. 12M moving sum of C/A balance set another record rising to 3.9% GDP from 3.7% according to our estimates. The measure might now stabilise for some months before decreasing on further recovery of domestic demand.

MPC member Jerzy Kropiwnicki said that if the GDP returns to the level last seen in 2019 and on top of that the GDP growth is "good" then it will be the right time to start slowing down inflation. In order to properly assess it, Kropiwnicki argues, it is necessary to know the macroeconomic data for the 1H 2021 - in September such assessment will be possible. MPC's **Eryk Łon** said that in order to optimally pursue the monetary policy near the end of 2021 and start of 2022 it will be safe to wait for the next NBP forecasts - not only the July one but the November one as well. Łon reminded that aiming for the NBP inflation target should be done in a way which cares as much as possible about the economic growth and the situation on the labour market. **Grażyna Ancyparowicz** has criticized as "unfounded" the speculations about the timing of the possible interest rate hike. She said, some of the business sectors are still performing poorly and if the pandemic returns many businesses might not survive. That is why she thinks the pessimistic scenario should be taken into account. She said that "at the end of September" it will be possible to say if such negative scenario materializes. All of the above comments are putting a lot of emphasis on the GDP growth path, but also they leave the doors open for a potential monetary tightening if this scenario turns out to be very positive (as we expect).

EURUSD after falling significantly on Friday (0.7%) on Monday rebounded by 0.2% to 1.212.

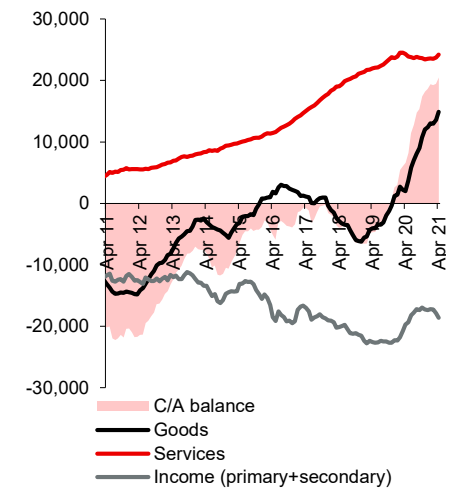
EURPLN similarly as on Friday, on Monday increased significantly (Friday +0.6%, Monday +0.4%). The better than expected balance of payments data failed to support the zloty. Overnight the EURPLN increase has been extended and today in the morning the pair reached the 200-day moving average (4.522) which constitutes a strong resistance. Counting from the June minimum the EURPLN has increased by 1.7%.

As for the **other CEE currencies**, the forint was also performing poorly - EURHUF rose by 0.9% to 351.0 after a similar move in scale on Friday. EURCZK did not change (25.42) despite a much better-than-expected reading of C/A balance. The ruble lost less than other CEE currencies - the ruble basket was up by only 0.3% to 79.0, holding below an important level of 80.0 thanks to rising oil price (the price of a barrel of Brent oil went up already by almost 5% month-to-date to US\$72.5), among other factors.

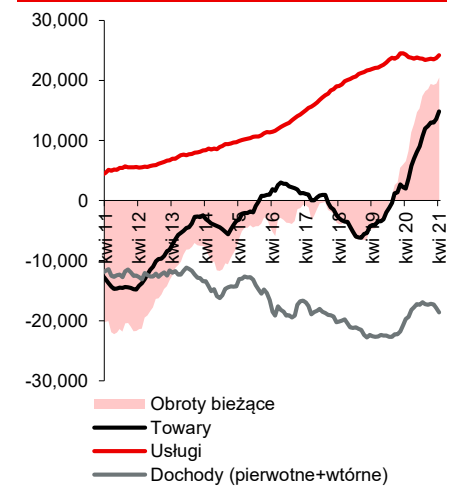
On the **domestic interest rate market**, after the rapid declines of FRA and IRS contracts, on Monday there was some rebound - the curve moved up from 1bp on the short end to 4bp on the long end. Government bonds were stable. 10Y ASW was moving around zero and the Bund spread fell to 198bp.

The **Ministry of Finance informed** that in May the sale of retail bonds was PLN3.8bn (in April it was PLN3.9bn and year-to-date it is already PLN17.8bn).

12M moving sum of Polish C/A and its components, €mn



Bilans płatniczy: główne salda (suma krocząca 12-miesięczna), w mln €



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FX market

Today's opening			
EURPLN	4.5216	CZKPLN	0.1776
USDPLN	3.7306	HUFPLN*	1.2737
EURUSD	1.2123	RUBPLN	0.0518
CHFPLN	4.1469	NOKPLN	0.4481
GBPPLN	5.2653	DKKPLN	0.6082
USDCNY	6.4007	SEKPLN	0.4477

*for 100HUF

Last session in the FX market						14/06/2021
	min	max	open	close	fixing	
EURPLN	4.481	4.517	4.497	4.514	4.503	
USDPLN	3.704	3.728	3.714	3.723	3.719	
EURUSD	1.209	1.213	1.210	1.212	-	

Interest rate market 14/06/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.35	2
DS0725 (5Y)	1.23	1
DS1030 (10Y)	1.75	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.38	1	0.15	1	-0.53	0
2L	0.71	2	0.24	2	-0.48	0
3L	0.97	3	0.43	2	-0.43	1
4L	1.16	4	0.65	4	-0.36	2
5L	1.31	4	0.85	4	-0.29	2
8L	1.61	4	1.28	4	-0.05	3
10L	1.75	5	1.46	3	0.09	3

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
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	0.23	1
3x6	0.29	1
6x9	0.42	2
9x12	0.59	-1
3x9	0.32	-1
6x12	0.57	4

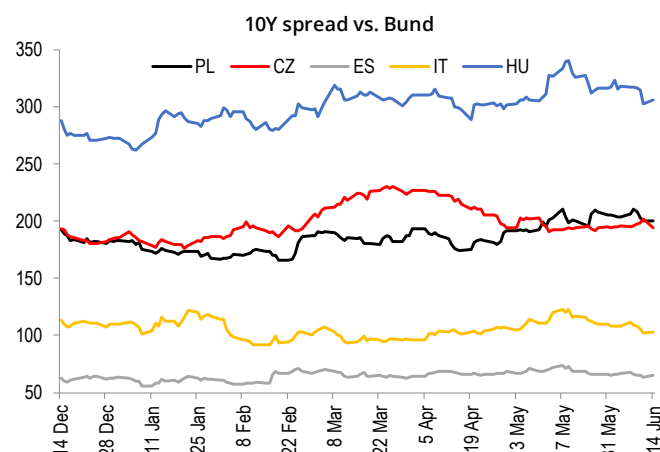
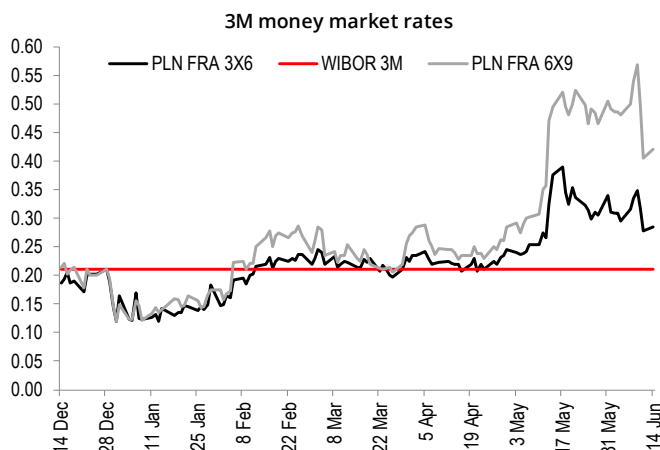
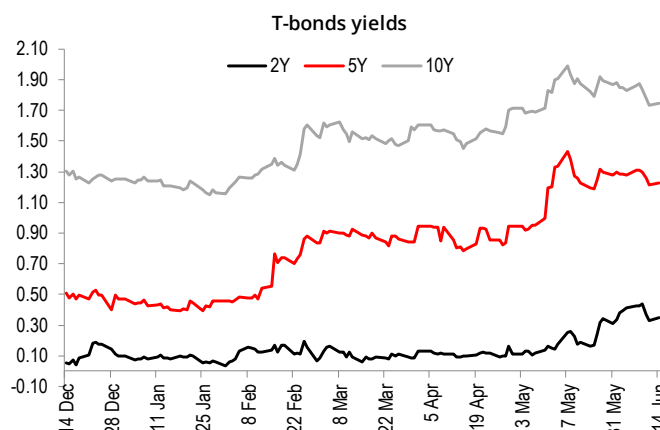
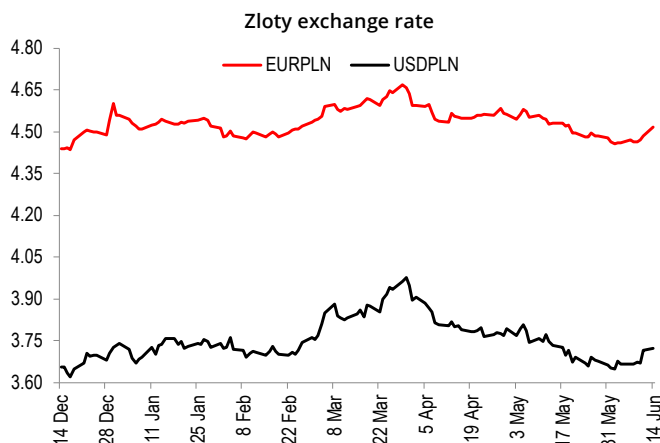
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	200	0
France	10	0	38	1
Hungary	64	0	306	3
Spain	34	0	65	1
Italy	43	0	103	1
Portugal	20	0	64	1
Ireland	11	0	42	2
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 (11 June)							
16:00	US	Michigan index	Jun	pts	84.4	86,4	82.9
MONDAY (14 June)							
11:00	EZ	Industrial Production SA	Apr	% m/m	0.4	0.8	0.1
14:00	PL	Current Account Balance	Apr	€mn	1215.0	1720.7	1740.0
14:00	PL	Trade Balance	Apr	€mn	512.0	712.0	1289.0
14:00	PL	Exports	Apr	€mn	22750.0	22782.0	24427.0
14:00	PL	Imports	Apr	€mn	22133.0	22065.0	23838.0
TUESDAY (15 June)							
08:00	DE	HICP	May	% m/m	0.3	0.3	0.3
10:00	PL	CPI	May	% y/y	4.8	4.8	-
14:30	US	Retail Sales Advance	May	% m/m	-0.4	-	0.0
15:15	US	Industrial Production	May	% m/m	0.6	-	0.55
WEDNESDAY (16 June)							
14:00	PL	CPI Core	May	% y/y	4.1	4.0	-
14:30	US	Housing Starts	May	% m/m	5.2	-	-9.5
20:00	US	FOMC decision	Jun/21		0.25	-	0.25
THURSDAY (17 June)							
11:00	EZ	HICP	May	% y/y	2.0	-	2.0
14:30	US	Initial Jobless Claims	Jun/21	k	370.0	-	376.0
14:30	US	Index Philly Fed	Jun		30.5	-	31.5
FRIDAY (18 June)							
10:00	PL	Employment in corporate sector	May	% y/y	2.5	2.5	-
10:00	PL	Average Gross Wages	May	% y/y	10.5	10.2	-

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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