

23 June 2021

## Eyeopener

### Powell stresses transitory nature of inflation

Equities quiet ahead of Fed chair's speech, Powell calmed markets about rate hikes  
 Dollar and core market yields stable  
 Zloty stronger, forint gained on a rate hikes in Hungary  
 Polish IRS and yields another day up  
 Today June flash PMIs from Eurozone and Germany, CNB decides on rates

On Tuesday evening (Polish time) the Fed president Jerome Powell was speaking in front of US House Select Committee. Today we know that his views are exactly the same as before the last FOMC meeting: he is convinced that inflation triggered by re-opening of the economy is transitory, the labour market is far from full employment, the Fed is not going to act pre-emptively against elevated inflation. Markets, which were quite stable on Tuesday in anticipation of the speech, reacted with rising stock indices, dollar weakening and slight decline of US bond yields. Brent oil price did not change much (\$75 per barrel), similarly to gold price (\$1780/oz). Home sales in the USA fell for the fourth straight month and among the main reasons there were rising home prices, limiting house affordability. June's reading of Richmond Fed index rose to 22 pts – its highest level since October 2020 (against expected small decline) – which bodes well for the nearest manufacturing ISM reading (to be released on July 1). The first flash PMIs coming today (Australia, Japan) have shown worsening of business activity in manufacturing.

May **retail sales** rose by 13.9% y/y, slightly above expectations (we: 12.8%, market: 11.4%). As we expected, the reopening of shopping malls in May encouraged consumers to storm these facilities. We are expecting sales to return to its regular pattern in the months to come (as long as no new lockdowns appear) and to remain fairly strong, supported by the positive labour market situation. Note however that the retail sales are still visibly below pre-covid trend. Polish **construction output** rose in May by 4.7% y/y, beating market consensus at 1.5% and our 2.7% estimate. A rebound in construction suggests the investment surge registered in 1Q21 (based mostly on cars and machinery purchases) may have even broadened in 2Q. Housing market was still showing record high activity in May. June set of sectoral **business confidence** indicators mostly showed m/m gains. More in [Economic Comment](#).

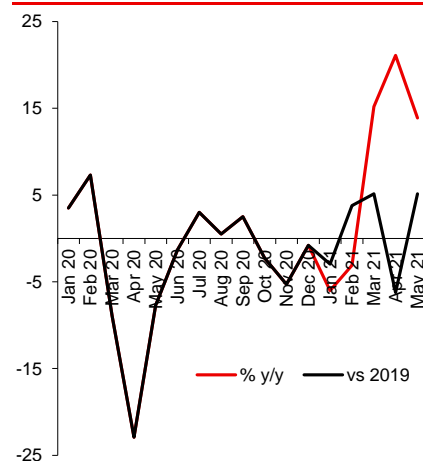
**EURUSD** was stable on Tuesday near 1.190 awaiting Fed chairman Jerome Powell's testimony. In the reaction to the event it increased overnight towards 1.195.

**EURPLN** increased in the first part of the day to over 4.54 (from 4.53) only to fall to below 4.52 in the second part of the day following the strengthening forint. There is the 200-day moving average at 4.525 and the fact if it holds or not after a few days of testing will show the EURPLN direction for next weeks. After Powell's comments the EURPLN fell below the level.

As for the **other regional currencies**. EURHUF was very volatile because of the Hungarian central bank (NBH) meeting on which interest rates got increased (as expected) to 0.90% from 0.60% which started the first hiking cycle in the CEE3 region. Before the meeting the EURHUF increased to 356 (+0.9%) only to end the day at 351.2 (0.6% lower on the day). On Wednesday morning trades even lower just above 349.0. EURCZK has not changed much on Tuesday (25.5), similarly USDRUB (73.15). Today the Czech central bank (CNB) decides on interest rates and consensus expects a 25bp increase to 0.50%. The lack of the analogous NBP move might be giving some advantage to HUF and CZK over PLN.

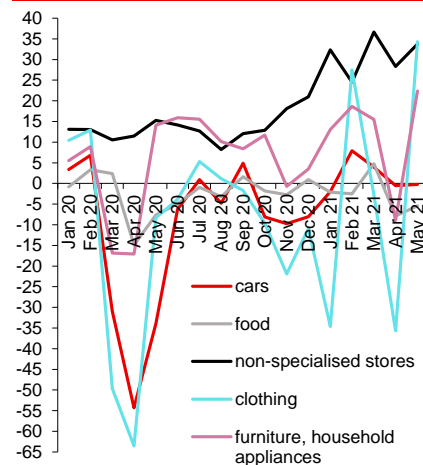
On the domestic **interest rate market**, the IRS curve went up again, mostly in the belly (5Y +5bp to 1.53%), less on the shorter and longer ends (2Y +2bp to 0.90%, 10Y +2bp to 1.87%). Similar moves were observed on the bond curve, with 10Y yield going up to 1.80%. For the second day in a row, upward momentum on the bond market gained strength at the end of the day, suggesting a rising impact of US investors. We think that 10Y bond yield is likely to go towards 1.90% in the upcoming days. Spread vs Bund climbed a bit. The Finance Ministry informed that at a switching tender scheduled for 24 June it will buy three bond series (PS0721, DS1021, PS0422) and sell five (OK0423, PS1026, WZ1126, WZ1131, DS0432).

Retail sales: % y/y and vs corresponding month of 2019



Source: GUS, Santander

Retail sales by categories, % change vs corresponding month 2019



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.5128	CZKPLN	0.1768
USDPLN	3.7837	HUFPLN*	1.2691
EURUSD	1.1926	RUBPLN	0.0519
CHFPLN	4.1159	NOKPLN	0.4422
GBPPLN	5.2709	DKKPLN	0.6068
USDCNY	6.4835	SEKPLN	0.4453

\*for 100HUF

Last session in the FX market						22.06.2021
	min	max	open	close	fixing	
EURPLN	4.509	4.543	4.527	4.521	4.537	
USDPLN	3.794	3.820	3.803	3.797	3.813	
EURUSD	1.188	1.191	1.190	1.191	-	

**Interest rate market** 22.06.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.40	1
DS0725 (5Y)	1.38	5
DS1030 (10Y)	1.81	5

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.47	1	0.18	0	-0.52	1
2L	0.91	4	0.30	-2	-0.45	1
3L	1.20	6	0.52	-2	-0.39	0
4L	1.40	6	0.73	-3	-0.32	0
5L	1.55	8	0.91	-2	-0.25	-1
8L	1.79	5	1.27	-2	-0.03	0
10L	1.90	5	1.42	-2	0.11	0

**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	0.34	1
6x9	0.56	1
9x12	0.78	2
3x9	0.43	0
6x12	0.69	3

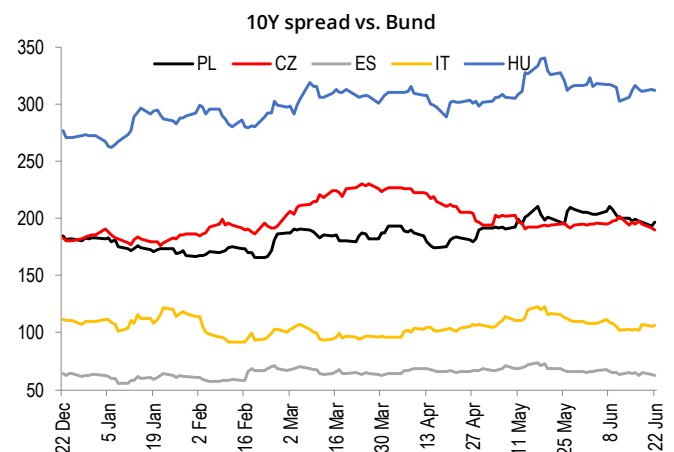
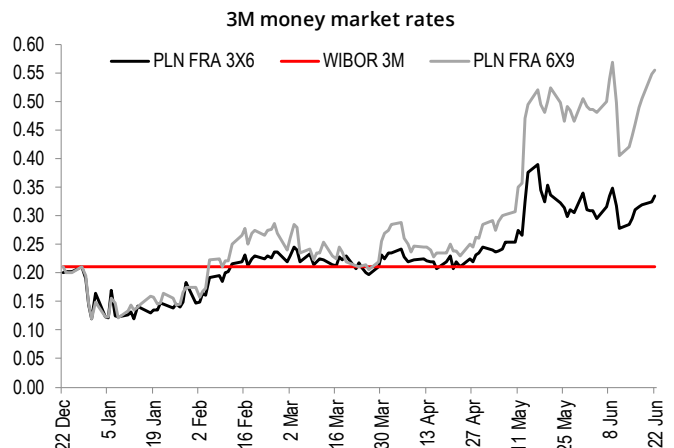
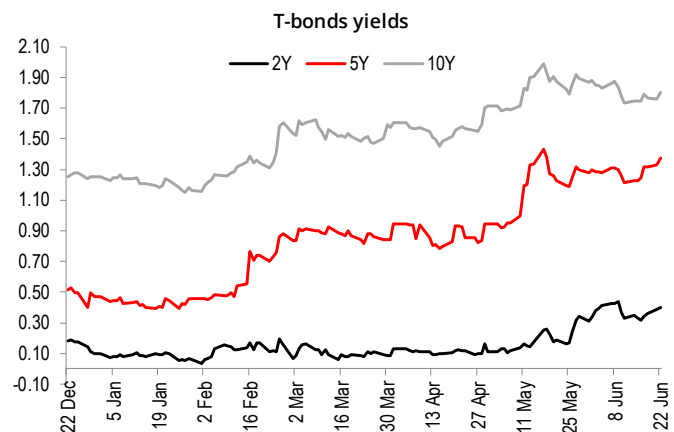
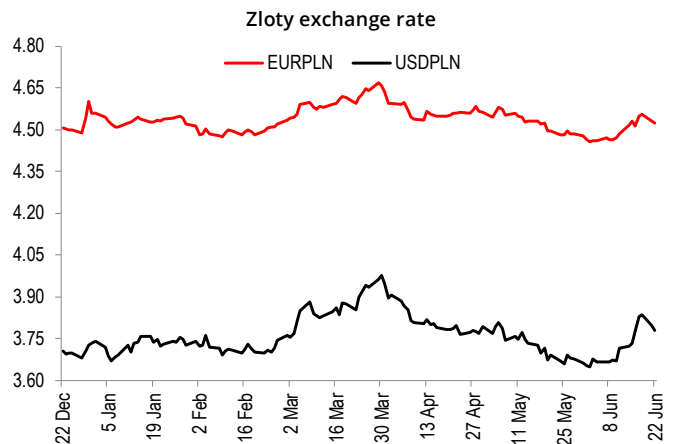
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	197	3
France	10	0	33	-1
Hungary	64	0	312	0
Spain	34	0	63	0
Italy	45	0	106	1
Portugal	21	0	61	0
Ireland	12	0	38	-1
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	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
<b>FRIDAY (18 June)</b>								
10:00	PL	Employment in corporate sector	May	% y/y	2.5	2.5	2.7	0.9
10:00	PL	Average Gross Wages	May	% y/y	10.5	10.2	10.1	9.9
<b>MONDAY (21 June)</b>								
10:00	PL	Sold Industrial Output	May	% y/y	30.4	26.8	29.8	44.5
10:00	PL	PPI	May	% y/y	5.8	6.0	6.5	5.3
<b>TUESDAY (22 June)</b>								
10:00	PL	Construction Output	May	% y/y	1.5	2.7	4.7	-4.2
10:00	PL	Retail Sales Real	May	% y/y	11.4	12.8	13.9	21.1
14:00	HU	Central Bank Rate Decision	Jun/21	%	0.9		0.9	0.6
16:00	US	Existing Home Sales	May	% m/m	-2.2		-0.9	-2.7
<b>WEDNESDAY (23 June)</b>								
09:30	DE	Germany Manufacturing PMI	Jun	pts	63.2		-	64.4
09:30	DE	Markit Germany Services PMI	Jun	pts	55.3		-	52.8
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	62.2		-	63.1
10:00	EZ	Eurozone Services PMI	Jun	pts	57.5		-	55.2
14:30	CZ	Central Bank Rate Decision	Jun/21		0.50		-	0.25
16:00	US	New Home Sales	May	% m/m	1.4		-	-5.9
<b>THURSDAY (24 June)</b>								
10:00	DE	IFO Business Climate	Jun	pts	100.0		-	99.2
10:00	PL	Unemployment Rate	May	%	6.1	6.1	-	6.3
14:00	PL	Money Supply M3	May	% y/y	9.1	8.7	-	11.2
14:30	US	Durable Goods Orders	May	% m/m	3.0		-	-1.3
14:30	US	GDP Annualized	1Q	% Q/Q	6.4		-	6.4
14:30	US	Initial Jobless Claims		k			-	412.0
<b>FRIDAY (25 June)</b>								
14:30	US	Personal Spending	May	% m/m	0.3		-	0.5
14:30	US	Personal Income	May	% m/m	-2.7		-	-13.1
14:30	US	PCE Deflator SA	May	% m/m	0.6		-	0.6
16:00	US	Michigan index	Jun	pts	86.8		-	86.4

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

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