

24 June 2021

Eyeopener

Business sentiment in Europe is great

Stocks stable, Eurozone composite PMI highest in 15 years
Slightly weaker dollar, stable 10Y UST yield
EURPLN still close to a technical level
Domestic bond yields and IRS rate stable
Today Polish unemployment rate, money supply, German Ifo

On Wednesday global markets were stable - stock indices barely changed (only in Europe at the end of the session there were some declines), as did the core market yields. Dollar slightly weakened. Polish yield curve also was stable. The series of June PMI manufacturing showed further increases in the UK (64.2), Germany (64.9) and the US (62.6) as well as levelling off at the high level in Europe (63.1) and declines in Japan (51.5). Worse prints took place in PMI services - declines in the US, France and the UK while increases in Japan and higher-than-expected increases in Germany, while the Eurozone one rose to the highest level in 3 years. In the US, the new home sales declined by almost 100k still for the same factors which worked in the past months: high prices and limited supply.

In June main **consumer confidence** indicators decreased marginally. The fall of economic outlook index and current own financial situation index was a bit larger, but both are still above levels seen in the earlier part of 2021. Once again unemployment worries subsided significantly and major purchases index climbed to the long-term average (but has still much to climb to reach the pre-pandemic level). Additional questions regarding the impact of the pandemic showed that the scale of anxiety about one's own health and public health is now as low as in summer 2020 (the period of relief after the first wave, when government was stating the threat was gone and went on with organisation of stationary presidential elections). Among the currently employed, the share of those seriously worried about losing a job or closing a business due to Covid-19 and those seeing it as possible are now the lowest since the start of the pandemic (at 3.4% and 13.1% respectively), while the share of those seeing no such threat rose above 47%.

MPC member Jerzy Zyzynski said that as long as the economy is not at the pre-pandemic level he would remain the supporter of "wait and see" mode. He said that the inflation in Poland is temporary, however the "fuss" about it might increase inflation expectations which worries him. In his opinion the NBP should not experiment with one-off interest rate moves (single, signalling rate increases which do not start the whole hiking cycle).

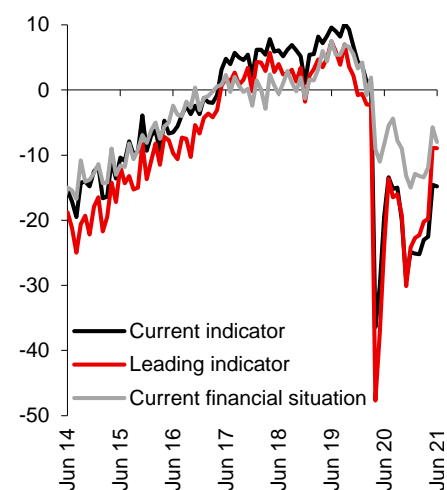
EURUSD on Wednesday after some fluctuation closed at 1.196 (1% up from Monday's trough) but in the evening it returned to the morning levels (near 1.193). Important resistance levels for EURUSD are 1.195, which is currently being tested, and then 1.200.

EURPLN after opening at 4.52 fell to 4.51 and then rebounded to 4.53. Eventually the rate closed at 4.52, i.e. unchanged vs. Tuesday. Still, since the FOMC meeting on June 17 the rate has already declined 0.8% and at 4.525 there is still the 200-day moving average, near which the rate was today in the morning. We think the EURPLN will be unsuccessful at the tests of this level and will start moving up in the near term.

In the **CEE region**: EURHUF unsuccessfully tried to go do further down to 348.0 after considerable declines on Tuesday (0.9% to 350.0) and after rate hike by the National Bank of Hungary. Eventually the pair returned to 350.0. In our view, given that expectations for rate hikes are already priced-in but real rates are still in the negative territory, the forint is likely to lose further. The hike by the Czech National Bank pushed EURCZK down by 0.5% to 25.38. Still, similarly as in case of Hungary, we think that the koruna will lose in the short term. The ruble basket fell by 0.6% and USDRUB went down by 0.8% to 72.5.

On the domestic **interest rate market** the IRS curve did not change much after a couple of days of rising rates (2Y at 0.91%, 5Y at 1.55%, 10Y at 1.90%). Similarly, bond yields were flat with 5Y at 1.35%, 10% at 1.80%. Spread to Bund amounted to 198bp. The Ministry of Finance's switch auction is scheduled for today.

Consumer confidence in Poland



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.5281	CZKPLN	0.1779
USDPLN	3.7972	HUFPLN*	1.2788
EURUSD	1.1926	RUBPLN	0.0524
CHFPLN	4.1274	NOKPLN	0.4444
GBPPLN	5.2982	DKKPLN	0.6081
USDCNY	6.4770	SEKPLN	0.4460

*for 100HUF

Last session in the FX market						23.06.2021
	min	max	open	close	fixing	
EURPLN	4.505	4.531	4.514	4.525	4.520	
USDPLN	3.776	3.792	3.787	3.786	3.788	
EURUSD	1.191	1.197	1.192	1.195	-	

Interest rate market 23.06.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.38	-2
DS0725 (5Y)	1.38	0
DS1030 (10Y)	1.80	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.47	0	0.19	1	-0.52	0
2L	0.90	-1	0.34	3	-0.46	-1
3L	1.19	-1	0.55	3	-0.39	0
4L	1.39	-1	0.77	4	-0.33	-1
5L	1.54	-2	0.95	4	-0.25	0
8L	1.78	-1	1.31	3	-0.03	0
10L	1.88	-1	1.45	3	0.10	-1

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	0.34	0
6x9	0.55	-1
9x12	0.77	-1
3x9	0.44	2
6x12	0.69	1

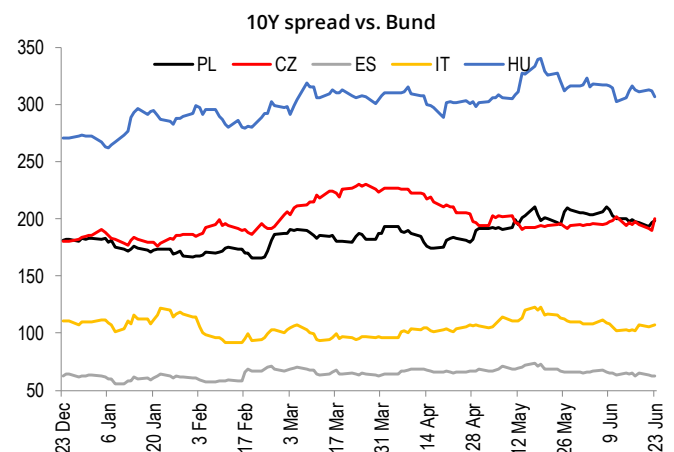
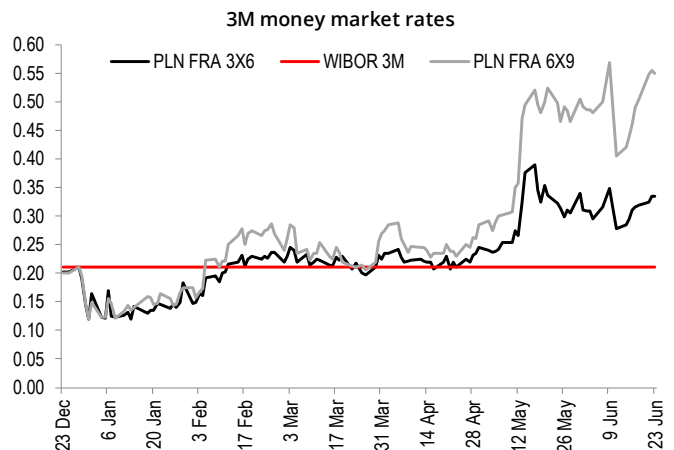
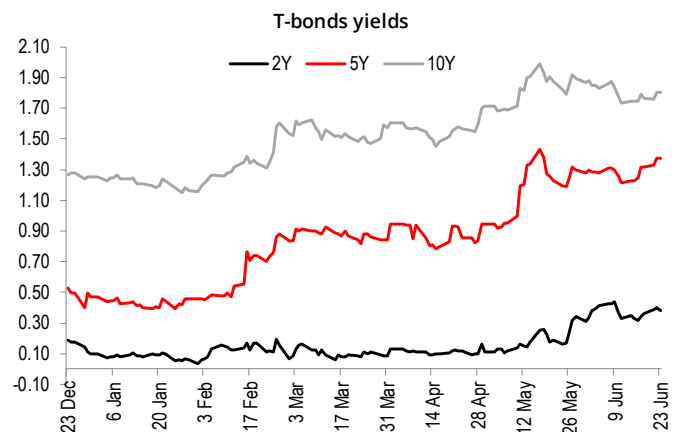
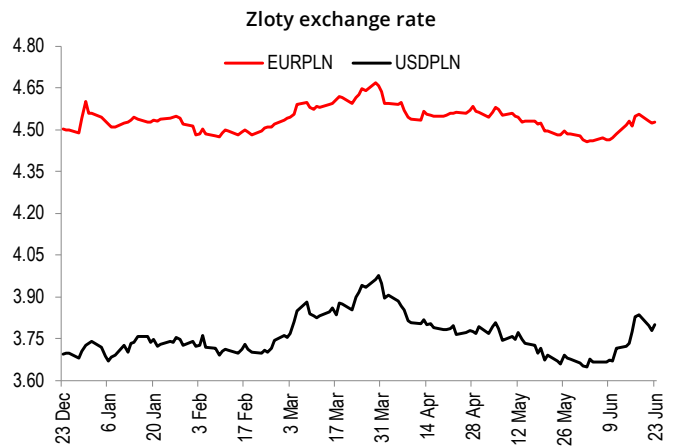
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	198	2
France	10	0	33	0
Hungary	64	0	307	-5
Spain	34	0	63	0
Italy	45	0	108	2
Portugal	20	0	62	1
Ireland	11	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 VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (18 June)								
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
MONDAY (21 June)								
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
TUESDAY (22 June)								
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
WEDNESDAY (23 June)								
09:30	DE	Germany Manufacturing PMI	Jun	pts	63.2		64.9	64.4
09:30	DE	Markit Germany Services PMI	Jun	pts	55.7		58.1	52.8
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	62.3		63.1	63.1
10:00	EZ	Eurozone Services PMI	Jun	pts	58.0		58.0	55.2
14:30	CZ	Central Bank Rate Decision	Jun/21		0.50		0.50	0.25
16:00	US	New Home Sales	May	% m/m	0.2		-5.9	-7.8
THURSDAY (24 June)								
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
FRIDAY (25 June)								
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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