

Eyeopener

Slow start of the week

Equities positive mood persists
 EURUSD struggles to break above the key resistance levels
 EURPLN still close to 200-day moving average
 Higher bond yields in Poland and in the core markets

On Friday US stock markets were in black while European ended the day roughly unchanged. This triggered a strong upward move of EURUSD, almost to 1.20. Core market yields went up (10Y by about 3bp, US yields set a weekly maximum), EURUSD went back below 1.195. Choice of direction was not easy for EURUSD, given incoming data: better-than-expected consumer incomes in the USA, but weaker spending. PCE inflation proved lower than expected by one notch, but was at the highest level in many years in annual terms. Moreover, June Michigan consumer sentiment was corrected down (revision also lowered the inflation expected in 5-10 years, but raised one-year forward inflation expectations to 4.2% from 4.0%).

NBP head Adam Glapiński ensured in a column for French press that the central bank will not allow rapid changes of exchange rates or yields if this affected the Polish economic outlook negatively. Glapiński also wrote that the process of policy normalisation should be gradual and distributed in time.

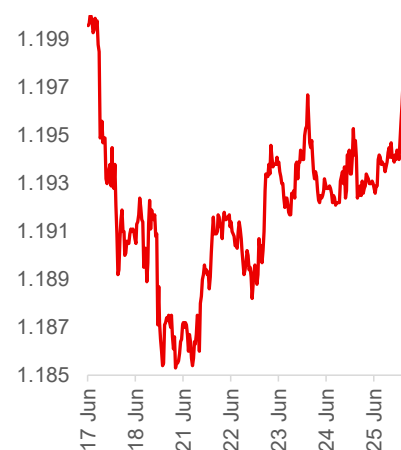
EURUSD in the second half of the day first broke through the first of important technical levels (1.195, the double peak from August 2020), then it has lost momentum before the rate approached the second important resistance (1.20, triple peak from August-September 2017), and then the rate reversed course and returned to the opening level. It seems that those resistance levels will be hard to break and thus the dollar is not likely to support EM currencies this week.

EURPLN on Friday moved slightly below 200-day moving average near 4.52, but we think that it may spend all this week at similar level. It would be in line with the new data releases: slightly lower than expected inflation, but still very strong manufacturing PMI.

As for **other CEE currencies**, EURCZK extended the Thursday's rise to almost 25.5, but it means the return to the middle of the fluctuations range seen in the second half of June. EURHUF also attempted to extend the previous day's increase, but without success, and it closed near 351. USDRUB was calmly awaiting the weekend (stable near 72.2).

At the domestic **interest rate market** the bond yield curve moved up, again the most in the belly (5Y yield was so close 1.5% for the first time since March 2020). The long end moved up c.5bp. In case of IRS curve, 5Y and 10Y rates increased by c.5bp, while the short end by as much as 8bp to almost 1%, although in the middle of June it was below 0.7%. We think that this week the rise of yields in the global markets will be maintained, which will have negative impact on Polish debt market – mostly on the belly of the curve. Lower than expected inflation print (if our forecast for June is confirmed) could tame the upward move somehow.

EURUSD



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.5084	CZKPLN	0.1765
USDPLN	3.7779	HUFPLN*	1.2735
EURUSD	1.1930	RUBPLN	0.0524
CHFPLN	4.1123	NOKPLN	0.4439
GBPPLN	5.2521	DKKPLN	0.6059
USDCNY	6.4566	SEKPLN	0.4442

*for 100HUF

Last session in the FX market						25/06/2021
	min	max	open	close	fixing	
EURPLN	4.501	4.522	4.520	4.513	4.509	
USDPLN	3.766	3.789	3.787	3.780	3.775	
EURUSD	1.193	1.198	1.194	1.194	-	

Interest rate market 25/06/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.40	3
DS0725 (5Y)	1.47	7
DS1030 (10Y)	1.83	6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.51	4	0.19	0	-0.52	0
2L	1.00	6	0.34	0	-0.45	0
3L	1.28	5	0.57	1	-0.39	0
4L	1.47	5	0.79	1	-0.31	1
5L	1.61	5	0.97	1	-0.23	2
8L	1.82	5	1.33	2	-0.01	2
10L	1.90	3	1.48	2	0.14	3

WIBOR rates

Term	%	Change (bps)
O/N	0.07	-3
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	0.35	3
6x9	0.61	5
9x12	0.86	7
3x9	0.46	5
6x12	0.77	8

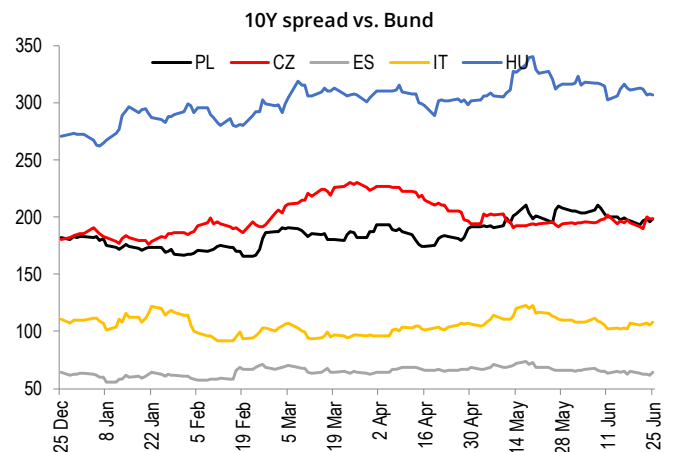
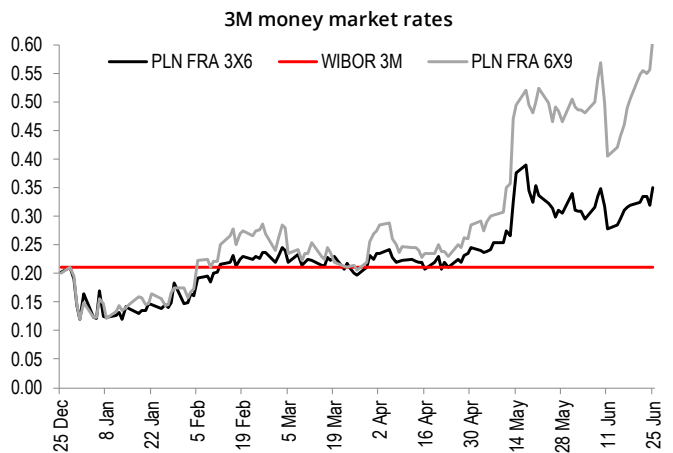
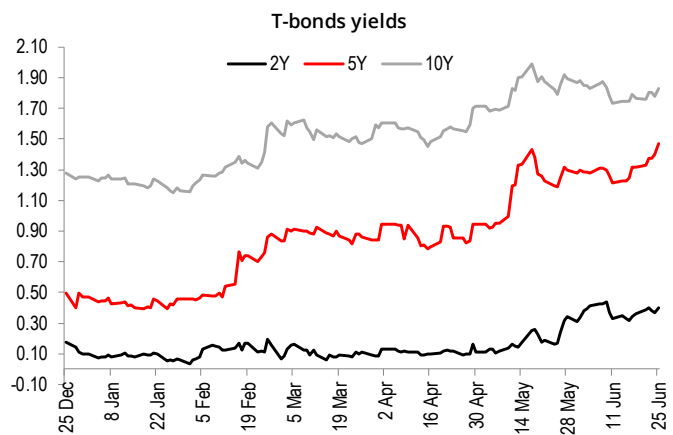
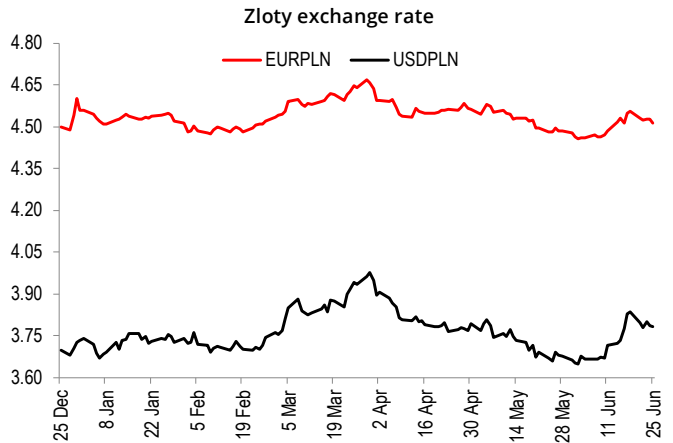
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	199	3
France	10	0	35	2
Hungary	64	0	307	-1
Spain	33	-1	64	2
Italy	45	0	108	3
Portugal	21	0	62	2
Ireland	12	0	39	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 (25 June)							
14:30	US	Personal Spending	May	% m/m	0.4	0.0	0.5
14:30	US	Personal Income	May	% m/m	-2.5	-2.0	-13.1
14:30	US	PCE Deflator SA	May	% m/m	0.5	0.4	0.6
16:00	US	Michigan index	Jun	pts	86.5	85.5	86.4
TUESDAY (29 June)							
09:00	CZ	GDP SA	1Q	% y/y	-2.1	-	-2.1
11:00	EZ	ESI	Jun	pct.	116.0	-	114.5
14:00	DE	HICP	Jun	% m/m	0.3	-	0.3
16:00	US	Consumer Conference Board	Jun	pts	118.5	-	117.2
WEDNESDAY (30 June)							
10:00	PL	CPI	Jun	% y/y	4.6	4.5	-
11:00	EZ	Flash HICP	Jun	% y/y	1.9	-	2.0
14:15	US	ADP report	Jun	k	530.0	-	978.2
16:00	US	Pending Home Sales	May	% m/m	-1.0	-	-4.4
THURSDAY (1 July)							
09:00	PL	Poland Manufacturing PMI	Jun	pts	57.1	57.5	-
09:55	DE	Germany Manufacturing PMI	Jun	pts	64.9	-	64.4
08:00	DE	Retail Sales	May	% m/m	5.0	-	-6.8
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	63.1	-	63.1
11:00	EZ	Unemployment Rate	May	%	8.0	-	8.0
14:30	US	Initial Jobless Claims		k		-	412
16:00	US	ISM manufacturing	Jun	pts	61.0	-	61.2
FRIDAY (2 July)							
14:30	US	Durable Goods Orders		% m/m	2.8	-	-1.3
14:30	US	Change in Nonfarm Payrolls	Jun	k	695	-	559
14:30	US	Unemployment Rate	Jun	%	5.7	-	5.8
16:00	US	Factory Orders	May	% m/m	1.3	-	-0.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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