

29 June 2021

## Eyeopener

### Dollar stronger amid lower UST yields

Market moods deteriorate slightly – UST and the dollar gain  
 EURUSD lower, despite that EURPLN moved below 4.50  
 Core market yields reverse Friday gains, Polish roughly unchanged  
 Today Eurozone ESI indicators and German inflation

On Monday the S&P500 index climbed slightly while stock markets were generally down in Europe, similarly as in Asia on Tuesday morning. More happened on the debt market, where 10Y UST and Bund yields were going down and even slid below Friday opening levels, offsetting the entire major increase which occurred at the end of the previous week. Also EURUSD behaved differently than on Friday – the pair did not try to attack important technical levels at 1.195 and 1.20 but was exploring possibilities for a downward movement. The European Commission informed about first payments of grants within the EU Next Generation programme envisaged to support the European economies (mostly through stimulation of green and digital transformation) before the next EU financial framework starts for good.

**MPC's Eryk Łon** warned against raising interest rates already now. In his view this would be dangerous to the economic revival – which is already threatened by the potential fourth wave of the pandemic.

**S&P rating agency** moved higher Poland's GDP growth forecast to 4.5% in 2021 (a quarter ago it had 3.4%), 5.4% in 2022 (+1pp revision), 3.3% in 2023 (+0.3pp). The agency also changed its assumptions regarding Polish monetary policy: in 2022 the main rate could be raised to 0.50% (with the first hike coming in the middle of the year) and in 2023 it would go to 1.50% (previously S&P saw the rate at 0.25% at the end of 2023). At the same time the agency assumes a rather mild inflation (3.8% on average in 2022 and a drop to 2.7% in 2023, with next years a tad below the target).

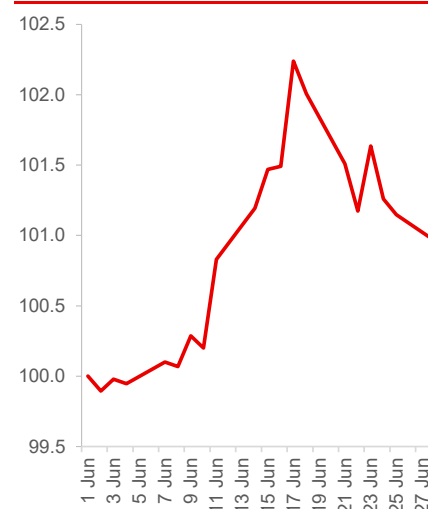
**EURUSD** having failed to settle higher on Friday, on Monday searched for the nearest support level. Key event for the FX rate will come late this week (on Thursday – manufacturing ISM, on Friday – NFP), albeit it is possible that surprises in European inflation could also make it move (today flash June reading in Germany, tomorrow in the Eurozone).

**EURPLN** surprised us on Monday by extending the declines from the previous two sessions and heading for 4.50. We thought that this week the FX rate might rise back to 4.52-4.53 and stay there. An upside move was encouraged by slightly negative market sentiment and the abrupt decline of EURUSD. A stronger zloty in such circumstances may be a sign of market preparations for strong readings of upcoming Polish data (Wednesday: CPI, but we see a higher chance of a disappointing print here, Thursday: PMI).

As for **other CEE currencies**, EURCZK and EURHUF responded to the sudden drop of EURUSD by going up somewhat, but by the end of the day these moves were reversed. USDRUB remained at 72.2 despite the large drop of oil price that reversed in one day the whole last week's rise.

At the domestic **interest rate market** we got to see a stabilisation and some downward movement, instead of taking cue from the core markets (10Y UST down 5-6bp, Bund down by 3bp). Similarly, the IRS rates did not retreat after a significant upward march on Friday. **The state-owned BGK bank** announced it will offer FPC0328 and FPC0631 bonds worth at least PLN1bn on Wednesday. The entire year plan of BGK bond issuances aiming at filling the Covid-19 fund worth PLN33.2bn was realised in 70% so far.

EURPLN, 1 June = 100



Source: Refinitiv, Santander

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**FX market**

Today's opening			
EURPLN	4.4958	CZKPLN	0.1764
USDPLN	3.7715	HUFPLN*	1.2835
EURUSD	1.1920	RUBPLN	0.0522
CHFPLN	4.1013	NOKPLN	0.4415
GBPPLN	5.2296	DKKPLN	0.6045
USDCNY	6.4576	SEKPLN	0.4424

\*for 100HUF

Last session in the FX market						28/06/2021
	min	max	open	close	fixing	
EURPLN	4.498	4.515	4.509	4.501	4.509	
USDPLN	3.769	3.789	3.782	3.770	3.776	
EURUSD	1.190	1.194	1.192	1.194	-	

**Interest rate market** 28/06/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.41	1
DS0725 (5Y)	1.47	0
DS1030 (10Y)	1.82	-1

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

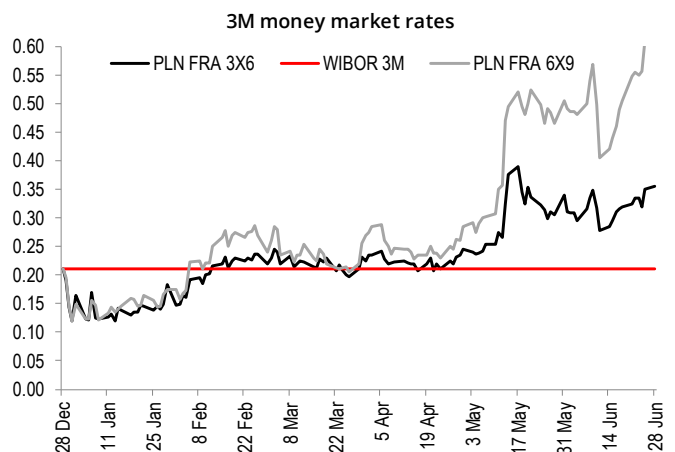
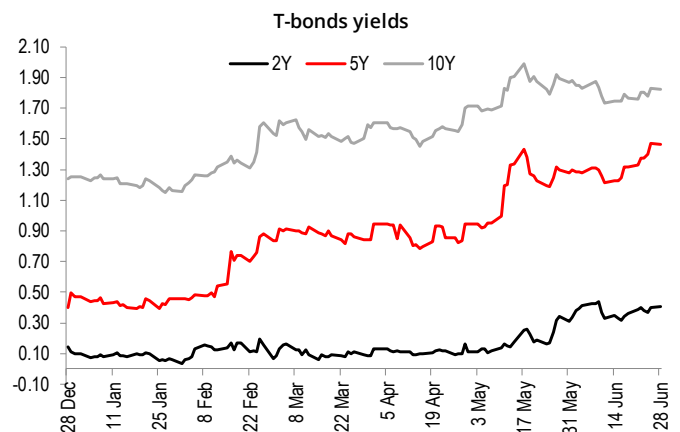
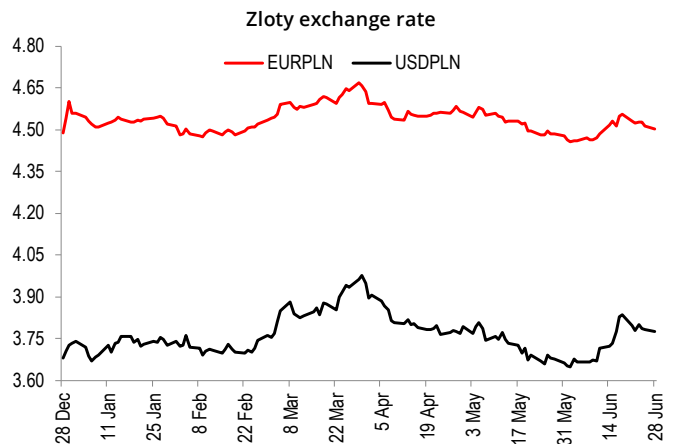
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.51	0	0.18	0	-0.52	0
2L	1.00	1	0.33	0	-0.45	0
3L	1.28	1	0.56	-1	-0.39	0
4L	1.47	0	0.78	-1	-0.32	-1
5L	1.62	1	0.95	-2	-0.24	-1
8L	1.82	0	1.30	-4	-0.03	-2
10L	1.90	0	1.43	-4	0.11	-3

**WIBOR rates**

Term	%	Change (bps)
O/N	0.11	4
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.17	-1
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	0.36	1
6x9	0.62	1
9x12	0.88	2
3x9	0.45	-1
6x12	0.78	1



**10Y spread vs. Bund**

## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
<b>FRIDAY (25 June)</b>							
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
<b>TUESDAY (29 June)</b>							
09:00	CZ	GDP SA	1Q	% y/y	-2.1	-2.4	-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
<b>WEDNESDAY (30 June)</b>							
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Jun</b>	<b>% y/y</b>	<b>4.6</b>	<b>4.5</b>	<b>-</b>
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
<b>THURSDAY (1 July)</b>							
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Jun</b>	<b>pts</b>	<b>57.1</b>	<b>57.5</b>	<b>-</b>
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
<b>FRIDAY (2 July)</b>							
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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