

30 June 2021

## Eyeopener

### Great moods among European corporates

Eurozone ESI indicators at the highest levels in years  
 Dollar gains, weaker CEE3 currencies  
 POLGB yields and IRS lower  
 Today inflation in Poland and Eurozone, ADP report in the US

On Tuesday markets adjusted in a way that we were hoping to see one day earlier: continuation of dollar strengthening bringing EURUSD below 1.19 triggered depreciation of CEE currencies, including PLN. Ruble adjusted particularly strongly amid drop of oil prices. Yields of Polish bonds, which on Monday refused to follow core markets, on Tuesday were catching up. Most equity markets gained. ESI business climate indicators showed the highest optimism in the euro zone in 21 years, with manufacturing indices at 36-year high and services at 13-year high. European companies reported highest demand for new jobs in 2.5 years. US Conference Board index of consumer confidence was also solid, rising by 10pts m/m vs expected +1 (the increase was caused by improving current assessment, while expectations index fell -4pts). Inflation data from Germany (flash data) decreased, as expected, after reaching 2.5% y/y in May. Fed's Christopher Waller said that taking into account surprisingly good condition of the US economy the tapering of asset purchase programme should be considered. MBS purchases should be ended first, in his view, due to overheating housing market.

**The European Bank for Reconstruction and Development raised the Poland's GDP forecast** to 5% in 2021 and 4.8% in 2022, which the pandemic being the main risk for this path. The EBRD's chief economist Beata Javorcik assessed that elevated debt levels in the CEE countries due to the pandemic and higher inflation in Poland should be eyed. Apart from short-term inflation factors (reopening of the economy, higher global commodity prices, higher administered prices), in the longer run inflation will be fuelled by the strong labour market. The central bank credibility is crucial for keeping the price growth at bay – populace's faith that it will react to growing price tensions.

**ESI indicators for Poland** showed in June some deterioration of sentiment in industry, construction and among consumers. The further reopening of the economy supported the service and retail trade sectors. In industry there was a second consecutive decline of output expectations, possibly connected to the reported supply shortages. A slightly weaker demand is also expected in retail trade and services. In the consumer part of the survey also the expectations components (regarding own financial situation and economic outlook) were mostly going down. The common factor of all sectoral surveys were growing price expectations (the highest in 17 years in industry, 12 years in construction, 9 years in retail trade). Consumer inflation expectations have also gone higher – already some 40% say the recent price changes should be tagged as "significant rise" vs. c.30% after the first months of the pandemic. Only less than 18% think that in the next 12 months inflation will fall.

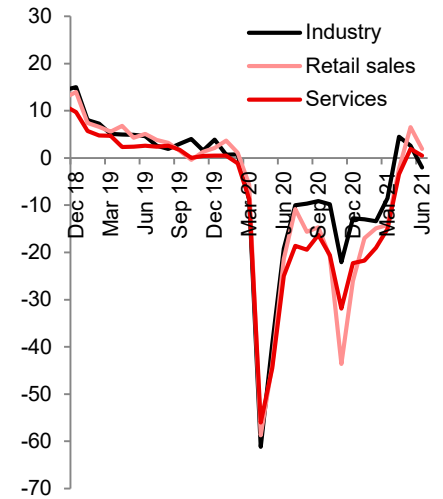
**EURUSD** dropped to 1.19 and spent some time intraday at 1.1880.

**EURPLN** made yesterday the move that we had expected to see a day earlier – a return higher to 4.52. The wave of zloty depreciation started only after a test of 4.50. The appreciation of the dollar is in our view a sufficient condition to keep the zloty at a weaker level, but there may also be some additional volatility due to the uncertainty about the July MPC meeting outcome and the shape of the new projection.

As for **other CEE currencies**, koruna and forint depreciated, just as the zloty did, reaching 25.5 and 352.0 vs euro, correspondingly. In Czechia the 1Q GDP growth data were revised down by 0.3pp to -2.4% y/y. USDRUB after three sessions of being roughly stable moved up by 0.7% to 72.7.

At the domestic **interest rate market** the bond curve was again volatile in the belly, with yields going down by 4-5bp. The longer end took the cue later. The IRS curve fell horizontally by 5-6bp. Today's flash inflation for June could be important for the market, as in our view it could bring some disappointment showing that this year's peak in CPI could be behind. We still think that it will be difficult for inflation to go down in the upcoming months and it could return to the May's peak already this year. Still, today's reading could lower the market hike pricing reaching 40bp until end of 2021 and 140bp at the end of 2022.

ESI indicators for Poland - expectations about output, demand, business activity for the months ahead



Source: European Commission, Santander

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**FX market**

**Today's opening**

EURPLN	4.5135	CZKPLN	0.1767
USDPLN	3.7954	HUFPLN*	1.2810
EURUSD	1.1901	RUBPLN	0.0522
CHFPLN	4.1169	NOKPLN	0.4426
GBPPLN	5.2512	DKKPLN	0.6070
USDCNY	6.4542	SEKPLN	0.4440

\*for 100HUF

**Last session in the FX market 29.06.2021**

	min	max	open	close	fixing
EURPLN	4.491	4.525	4.501	4.515	4.512
USDPLN	3.770	3.804	3.778	3.791	3.791
EURUSD	1.188	1.192	1.191	1.190	-

**Interest rate market 29.06.2021**

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.41	0
DS0725 (5Y)	1.42	-5
DS1030 (10Y)	1.78	-4

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.48	-4	0.19	0	-0.52	0
2L	0.96	-5	0.33	-1	-0.45	0
3L	1.24	-5	0.56	0	-0.39	0
4L	1.42	-6	0.78	0	-0.32	0
5L	1.55	-8	0.95	0	-0.24	0
8L	1.75	-7	1.29	-1	-0.02	1
10L	1.84	-6	1.43	0	0.12	1

**WIBOR rates**

Term	%	Change (bps)
O/N	0.09	-2
T/N	0.09	-1
SW	0.10	0
2W	0.16	0
1M	0.17	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	-1
3x6	0.33	-3
6x9	0.57	-5
9x12	0.81	-7
3x9	0.44	-2
6x12	0.71	-6

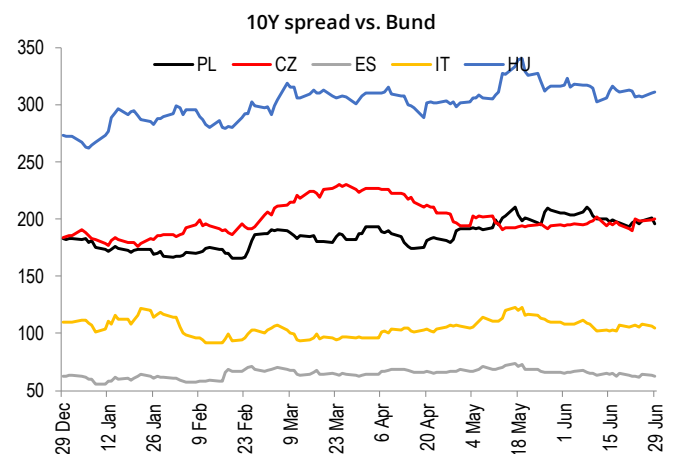
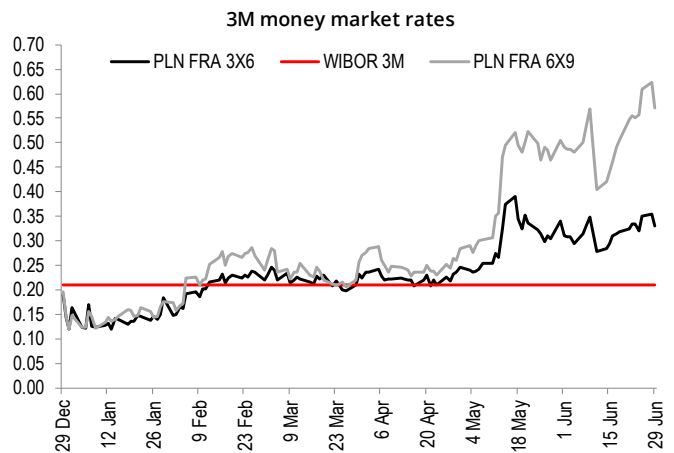
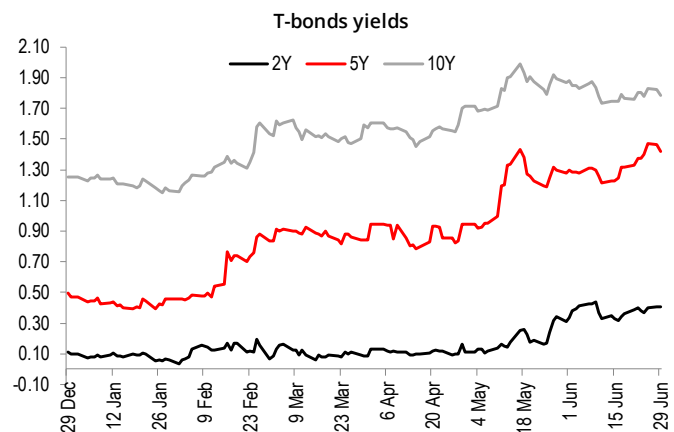
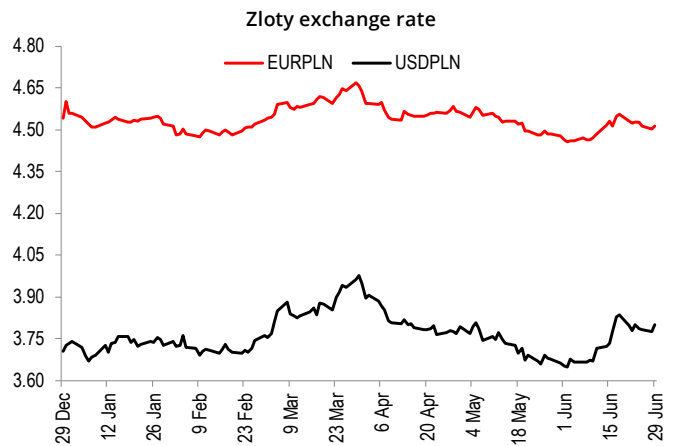
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	196	-5
France	10	0	34	-1
Hungary	64	0	311	1
Spain	32	0	63	-1
Italy	45	0	105	-2
Portugal	21	0	62	0
Ireland	12	0	38	0
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		
<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	117.9	114.5
14:00	DE	HICP	Jun	% m/m	0.3	0.4	0.3
16:00	US	Consumer Conference Board	Jun	pts	118.5	127.3	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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