

Eyeopener

Polish manufacturing PMI at all time high

Record high PMI manufacturing in Poland and in Europe

EURPLN near 4.52, EURUSD stable

Core market yields rebounded post Wednesday declines, Polish ones less so

Today nonfarm payrolls in the US

Stock market again saw pattern from the previous days: US equities went up, while European remained stable, despite higher volatility over the day. Core bond yields moved upwards, and they remained at higher levels in the USA but corrected downwards in Germany. EURUSD was stable with no signals of change in trend. European PMI indices for manufacturing were strong, while the USA ones (PMI, ISM) fell slightly. Among the ISM components, it is worth noting a further major rise in cost indicator to 92.1pts and employment indicator falling below 50pts. Oil price went up two dollars to \$76.5 ahead of the yesterday's OPEC+ decision. The UAE's opposition against higher oil output could postpone the cartel's decision to do so.

Final readings of manufacturing PMIs in Europe proved to be even better than flash releases. New record highs were reached thanks to solid output and new orders and also due to supply chains overburden (despite increased purchasing activity, inventories in European firms decreased). In such environment the cost indicator set a new record and firms were passing through rising costs on prices. Indicators for CEE countries (except Russia) soared as well. Asian emerging economies fared worse – in most cases, including China, indicators decreased m/m, which could be related to worries about new virus mutations (respondents linked weaker demand with pandemic, still reported problems with supply). Malaysia was the country with particularly strong drop, by 11.4 pts., which was connected with rising infections and introduced anti-pandemic restrictions. Index of expected production fell as much as during the first Covid-19 shock.

In June **Polish manufacturing PMI** surged further to 59.4 pts, beating the freshly set all-time high from May, 57.2 pts. The m/m rise was almost entirely caused by stronger contribution from new orders (both domestic and foreign) and current output. This happened amid a still growing pressure on supply chains and prices (record high indexes of both input and output prices), intensified labour demand and purchasing activity to cope with the inflow of new business. Companies are trying to increase buffers of production input to secure continuity as the backlogs indicator also set a new record. The data suggest continuation of the economic expansion but at the cost of growing inflationary pressure.

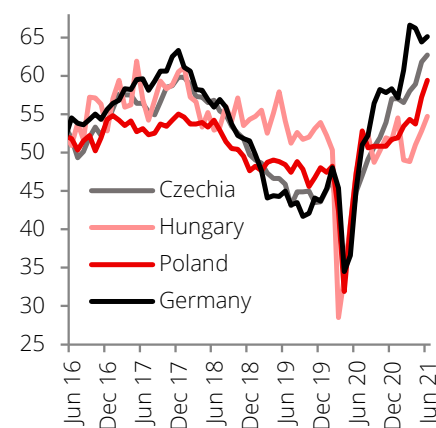
EURUSD set another lower daily low when testing 1.185. However the downside move was smaller than in the previous sessions. At the same time the rebound in the second part of the day did not look like an attempt to leave the downside trend observed in the last few days. We still think that the FX rate is heading below 1.18.

EURPLN did not utilise the favourable conditions to drop, created by strong European PMIs, not to mention the record high reading for Polish manufacturing, and the afternoon rise of EURUSD. The zloty remained not far from 4.52 vs the euro.

As for **other CEE currencies**, the koruna and the forint were temporarily supported by their rising country PMIs, albeit in case of Hungary the reading rose less than the market had expected (Hungarian manufacturing PMI to 54.7 pts vs. 55.0 expected, while the Czech one to 62.7 pts vs. 62.1 expected). From a daily perspective the data did not lead to material changes of the exchange rates (EURCZK was even seen rising a bit to 25.53). USDRUB again went up when oil price was significantly rising, adding to the feeling that the appreciation trend of the ruble started in April is already used up. The unexpected decline of Russian manufacturing PMI below 50 pts from 51.9 was also negative for the ruble.

At the domestic **interest rate market** local bonds were again outperforming core market bonds. In Poland there was no correction after the significant Wednesday decline of yields, while the 10Y UST gave back all the previous day gain (+4bp to 1.48%). The weakening of Bunds was smaller in scale and disappeared before the end of the day. The 10Y spread to Bund is still close to 183bp. Polish IRS curve was also stable (5Y at 1.45%, 10Y at 1.78%).

Manufacturing PMIs



Source: Markit, Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5144	CZKPLN	0.1766
USDPLN	3.8152	HUFPLN*	1.2829
EURUSD	1.1840	RUBPLN	0.0520
CHFPLN	4.1167	NOKPLN	0.4417
GBPPLN	5.2452	DKKPLN	0.6072
USDCNY	6.4790	SEKPLN	0.4442

*for 100HUF

Last session in the FX market						01/07/2021
	min	max	open	close	fixing	
EURPLN	4.503	4.523	4.517	4.511	4.519	
USDPLN	3.793	3.821	3.815	3.806	3.815	
EURUSD	1.184	1.188	1.185	1.185	-	

Interest rate market 01/07/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.37	-3
DS0725 (5Y)	1.27	0
DS1030 (10Y)	1.65	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.42	1	0.19	0	-0.53	0
2L	0.84	2	0.33	0	-0.46	0
3L	1.14	3	0.58	2	-0.40	0
4L	1.33	3	0.80	2	-0.33	0
5L	1.46	3	0.96	1	-0.26	-1
8L	1.69	3	1.30	1	-0.04	-1
10L	1.79	3	1.42	-1	0.10	0

WIBOR rates

Term	%	Change (bps)
O/N	0.11	2
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	0.22	0
3x6	0.28	0
6x9	0.49	0
9x12	0.71	2
3x9	0.36	1
6x12	0.61	4

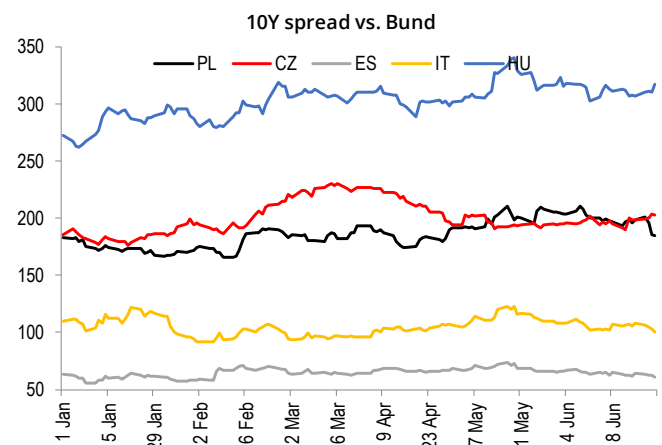
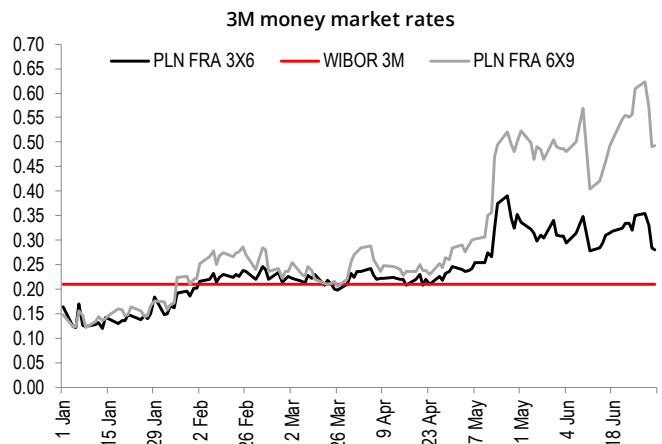
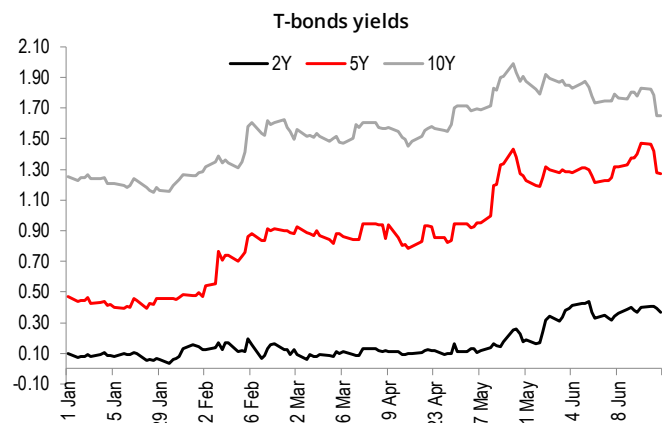
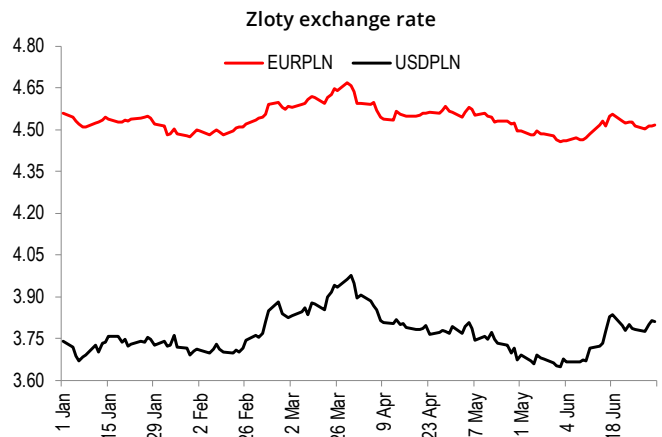
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	185	-1
France	10	0	33	-1
Hungary	64	0	317	7
Spain	31	0	61	-2
Italy	43	-1	101	-2
Portugal	20	0	58	-3
Ireland	12	0	37	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		
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	-2.4	-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
WEDNESDAY (30 June)							
10:00	PL	CPI	Jun	% y/y	4.6	4.5	4.4
11:00	EZ	Flash HICP	Jun	% y/y	1.9	1.9	2.0
14:15	US	ADP report	Jun	k	530.0	692	886
16:00	US	Pending Home Sales	May	% m/m	-1.0	8.0	-4.4
THURSDAY (1 July)							
09:00	PL	Poland Manufacturing PMI	Jun	pts	57.1	57.5	59.4
09:55	DE	Germany Manufacturing PMI	Jun	pts	64.9	65.1	64.4
08:00	DE	Retail Sales	May	% m/m	4.6	4.2	-6.8
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	63.1	63.4	63.1
11:00	EZ	Unemployment Rate	May	%	8.0	7.9	8.1
14:30	US	Initial Jobless Claims		k		364	415
16:00	US	ISM manufacturing	Jun	pts	61.0	60.6	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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