

Eyeopener

NBP governor did not rule out rate hike in 2021

Adam Glapiński active in media before the MPC meeting

Positive trend in the US labour market

Equities gained slightly, dollar slightly weaker

Lower yields in the core markets, higher in Poland

Today services PMI in China, euro zone and Germany

On Friday investors were obviously focusing on the US labor market. The non-farm payrolls stood at 850k vs expected 720k, while the previous months' reading was revised higher to 583k. At the same time the US unemployment rate in June increased to 5.9% from 5.8. The May trade deficit stood at \$71.2bn. The factory orders beat expectations while the previous months reading was revised higher as well. Markets have reacted in a positive fashion however have not been euphoric: the S&P500 index increased by 0.3%, the dollar initially unchanged moved just a bit towards the end of the day; the yields of UST and the Bund declined by 2-3bp. This week starts from the US bank holiday. The China and India services PMI surprised negatively in June.

On Friday [Salon24](#) website released the interview with NBP governor Adam Glapiński, and on Sunday two other articles with the NBP head were published: one in [Financial Times](#) and the other in the [omfif.org](#). The message from the first two interviews was similar: Glapiński thinks there is no reason to worry about elevated inflation, because to large degree it is a function of the factors which are transitory and exogenous. If we exclude those factors from the CPI we will end up with measure at 2.5%, which is consistent with the NBP mandate. At the same time Glapiński said that the NBP would not hesitate to tighten monetary policy conditions if this will be necessary (if inflation becomes demand driven). In the interview with Salon24, Glapiński points to the fact that already the July NBP inflation projection will be important and if it suggests interest rate increases then the NBP will react. Probably not straight away, but rather only after it "is certain that it will not slow the economic growth". In the FT article Glapiński stated: "If we see that there is a tendency that in a few quarters this rise in prices could be driven by these demand-side factors, then we will act. When will it happen? It's hard to say precisely, but rather not earlier than in the autumn of this year. Or maybe only halfway through next year" – this is the first comment of the NBP president, where he did not rule out hikes already in 2021. In the third article Glapiński wrote that FX interventions are possible should the currency appreciate beyond acceptable limits.

On Friday the **Supreme Court** received another response to its questions sent in May to a couple of institutions. After the Financial Supervisory Authority's (KNF) response, which was favourable for the banks, now it was the NBP's turn. The NBP opinion was also against the most radical solutions, claiming that such instruments as PLN-denominated loan with LIBOR interest rates or prescription of banks' claims would be "hard to justify".

In the first part of the day **EURUSD** fell towards 1.1800 but after mixed data from the USA it returned towards the opening level. Closing at 1.1860 is almost perfectly at the level seen at the beginning of July.

EURPLN on Friday at first was going up to 4.53, but at the end of the day it dropped to 4.51. The presence of an important technical level nearby (4.526) and the fact that the MPC meeting will be held only on Thursday means that probably the exchange rate will be moving in a horizontal trend at the start of the week.

As for the **other CEE currencies**, EURHUF rose by 0.2% to 351.8. The final reading of April trade balance was slightly higher than the preliminary print (EUR347m vs EUR321m). EURCZK continued to move along an upward trend that started on 24 June (initial level 25.37, now 25.57, +0.8% difference). We expect the forint and the koruna to keep weakening. USDRUB remained near 73.5 awaiting the OPEC+ decision on the increase of oil supply – it was not reached on Friday and the talks were extended to Monday.

On the **domestic interest rate market**, the IRS curve at an early phase of trading decreased by c.2bp only to offset it and close the day some 1bp above the Thursday level. Yields of the bond curve were going up on the short end (2Y at 0.36%, +4bp), the belly (5Y at 1.30%, +4bp) and the long end (10Y at 1.70%, +6bp). Thanks to this the ASW widened to -11bp and the Bund spread to 193bp.

10Y UST yield, %



Source: Markit, Bloomberg, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
 Piotr Bielski +48 22 534 18 87
 Marcin Luzziński +48 22 534 18 85
 Wojciech Mazurkiewicz +48 22 534 18 86
 Grzegorz Ogonek +48 22 534 18 84

FX market

Today's opening			
EURPLN	4.5103	CZKPLN	0.1758
USDPLN	3.8054	HUFPLN*	1.2858
EURUSD	1.1853	RUBPLN	0.0519
CHFPLN	4.1244	NOKPLN	0.4408
GBPPLN	5.2610	DKKPLN	0.6057
USDCNY	6.4630	SEKPLN	0.4441

*for 100HUF

Last session in the FX market						02/07/2021
	min	max	open	close	fixing	
EURPLN	4.512	4.531	4.513	4.516	4.526	
USDPLN	3.809	3.835	3.811	3.813	3.826	
EURUSD	1.181	1.186	1.184	1.185	-	

Interest rate market 02/07/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.43	6
DS0725 (5Y)	1.32	5
DS1030 (10Y)	1.71	6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.43	1	0.17	-1	-0.53	0
2L	0.89	4	0.31	-2	-0.46	-1
3L	1.17	3	0.55	-3	-0.41	-1
4L	1.36	3	0.76	-4	-0.35	-2
5L	1.50	3	0.92	-4	-0.28	-3
8L	1.72	3	1.26	-4	-0.06	-3
10L	1.81	3	1.39	-3	0.07	-3

WIBOR rates

Term	%	Change (bps)
O/N	0.11	0
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	0.51	1
9x12	0.73	2
3x9	0.38	2
6x12	0.66	5

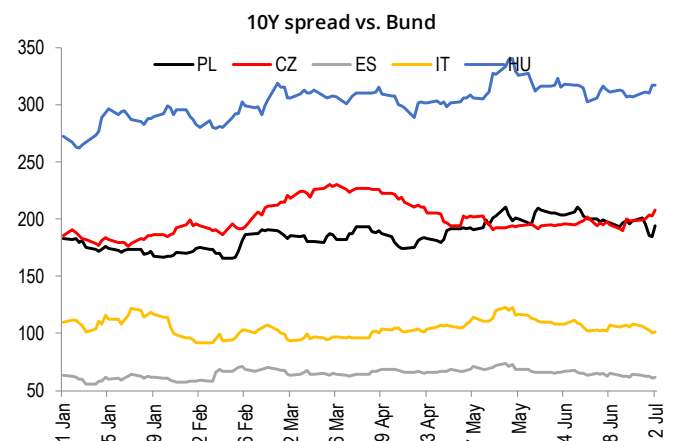
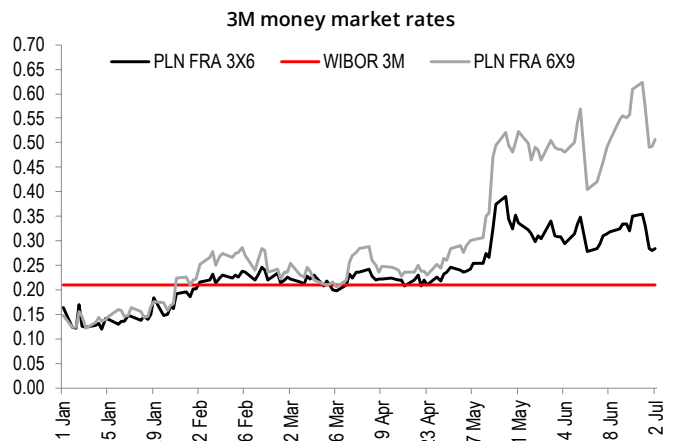
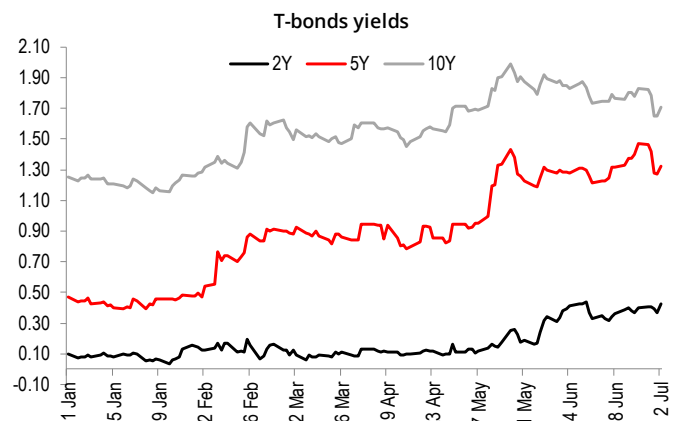
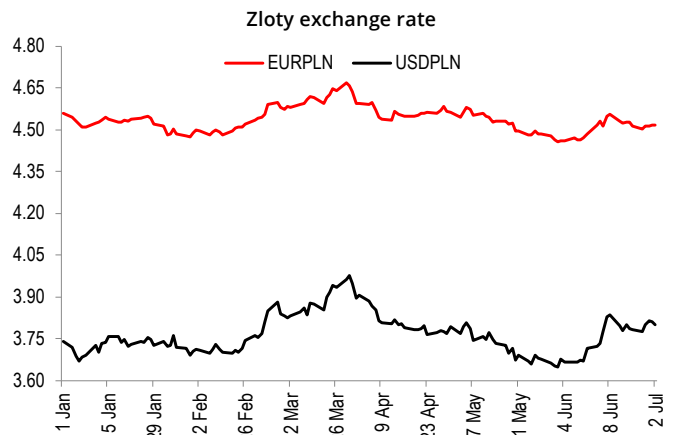
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	195	10
France	10	0	33	0
Hungary	64	0	318	1
Spain	30	-1	61	0
Italy	43	0	101	1
Portugal	20	0	59	1
Ireland	12	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 (2 July)								
14:30	US	Change in Nonfarm Payrolls	Jun	k	720.0	850.0	583.0	
14:30	US	Unemployment Rate	Jun	%	5.6	5.9	5.8	
16:00	US	Durable Goods Orders	May	% m/m	2.3	2.3	2.3	
16:00	US	Factory Orders	May	% m/m	1.6	1.7	-0.1	
MONDAY (5 July)								
03:45	CN	Caixin China PMI Services	Jun	pts	54.9	-	55.1	
09:55	DE	Markit Germany Services PMI	Jun	pts	58.1	-	58.1	
10:00	EZ	Eurozone Services PMI	Jun	pts	58.0	-	58.0	
TUESDAY (6 July)								
08:00	DE	Factory Orders	May	% m/m	1.0	-	-0.2	
11:00	DE	ZEW Survey Current Situation	Jul	pts	2.5	-	-9.1	
11:00	EZ	Retail Sales	May	% m/m	4.4	-	-3.1	
16:00	US	ISM services	Jun	pts	63.8	-	64.0	
WEDNESDAY (7 July)								
08:00	DE	Industrial Production SA	May	% m/m	-0.3	-	-1.0	
09:00	CZ	Industrial Production	May	% y/y	34.9	-	55.1	
09:00	HU	Industrial Production SA	May	% y/y	-	-	59.2	
20:00	US	FOMC Meeting Minutes	Jun/21		-	-	0.0	
THURSDAY (8 July)								
	PL	MPC decision		%	0.1	0.1	-	0.1
08:00	DE	Exports SA	May	% m/m	0.0	-	0.2	
09:00	HU	CPI	Jun	% y/y	-	-	5.1	
14:30	US	Initial Jobless Claims		k	-	-	411.0	

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.