

Eyeopener

Worsening market moods

Mixed data in the euro zone, weaker in the USA
 Equity markets falling, oil price rising, dollar stronger
 EURPLN volatile during the session, unchanged at close, CEE currencies weaker
 Bond yields and IRS up, in line with core markets
 Today industrial output in Germany, Hungary, Czechia, plus FOMC minutes

On Tuesday the macroeconomic data were mixed in the Eurozone: May retail sales surprised to the upside, however the July ZEW expectations index significantly declined. In Germany, the data was similarly mixed: factory orders slowed down in May, ZEW expectations, similarly to the one in Eurozone, declined a lot (by 16.5pp to 63.3), it was only ZEW current situation which improved (by 31.0pp to 21.9). Today in the morning Germany industrial production data was weaker than expected as well (at -0.3% m/m). In the US the June ISM services missed expectations: the 60.1 level was 3.4pp below consensus and 3.9pp below the previous month's print. The OPEC+ impasse continues, oil price increased during the day only to fall at the end of the day. During the day the market sentiment worsened: equity indices fell (0.5%), the dollar strengthened (+0.3%), the USD and Bund yields declined by, respectively, 8bp to 1.36% and 6bp to -0.26%; gold rallied by 1% to \$1806/oz.

In the morning **EURUSD** tried to get to 1.1900 but the mixed data undermined the sentiment so at the end of the day the rate fell to 1.1820 and was only slightly above the July minimum (1.1810). In our view, EURUSD is likely to go down in the weeks to come, possibly even to 1.1500.

On Tuesday **EURPLN** started the day at 4.50 and then the zloty gained with the exchange rate approaching 4.49. In the second part of the day the sentiment deteriorated sending the pair towards 4.51. Despite the intraday volatility, the rate is still close to an important technical level (4.52) and more pronounced moves are possible after the Thursday MPC meeting. Today's release of FOMC minutes could pose a risk for the zloty, e.g. if discussion proves to be hawkish.

As for the **other CEE currencies**, EURHUF rose by 0.6% to 353.7 after the May retail sales at 5.8% y/y disappointed the market (7.0% expected) and was much lower than the previous reading (10.6% y/y). Today the forint may suffer from [FT news](#) that the EC has a report that could justify freezing payments to Hungary due to accusations of breaches of rule of law. EURCZK rose by 0.3% to 25.65 on market sentiment and despite no releases in Czechia. The ruble lost more: the ruble basket rose by 1.3% and moved dynamically above a key support level at 80.0. If the currency does not return soon below the level then the whole June appreciation will be cancelled from the technical analysis perspective. USDRUB rose to 74.45. In the coming days and weeks we expect further weakening of the forint, koruna and ruble.

On the **domestic interest rate market** the IRS rates, following core market yields, moved down notably – by 5-6bp across the curve. Similar declines affected bond yields with 10Y yield decreasing to 1.68%. The ASW spread stayed almost unchanged. Spread to Bund was 194bp.

German industrial production and orders (Jan/2020=100)



Source: Refinitiv Datastream, Santander

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FX market

Today's opening			
EURPLN	4.5140	CZKPLN	0.1761
USDPLN	3.8178	HUFPLN*	1.2745
EURUSD	1.1826	RUBPLN	0.0514
CHFPLN	4.1329	NOKPLN	0.4387
GBPPLN	5.2708	DKKPLN	0.6071
USDCNY	6.4684	SEKPLN	0.4440

*for 100HUF

Last session in the FX market						06/07/2021
	min	max	open	close	fixing	
EURPLN	4.489	4.511	4.496	4.507	4.504	
USDPLN	3.779	3.818	3.788	3.814	3.802	
EURUSD	1.181	1.189	1.187	1.182	-	

Interest rate market 06/07/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.43	0
DS0725 (5Y)	1.32	-5
DS1030 (10Y)	1.71	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.43	-1	0.18	-1	-0.53	0
2L	0.91	-3	0.30	-1	-0.47	-1
3L	1.19	-4	0.52	-3	-0.42	-2
4L	1.37	-4	0.71	-6	-0.36	-3
5L	1.51	-4	0.86	-7	-0.29	-3
8L	1.72	-4	1.18	-8	-0.09	-5
10L	1.82	-4	1.31	-8	0.05	-5

WIBOR rates

Term	%	Change (bps)
O/N	0.10	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	0.29	0
6x9	0.50	-4
9x12	0.74	-1
3x9	0.36	0
6x12	0.65	0

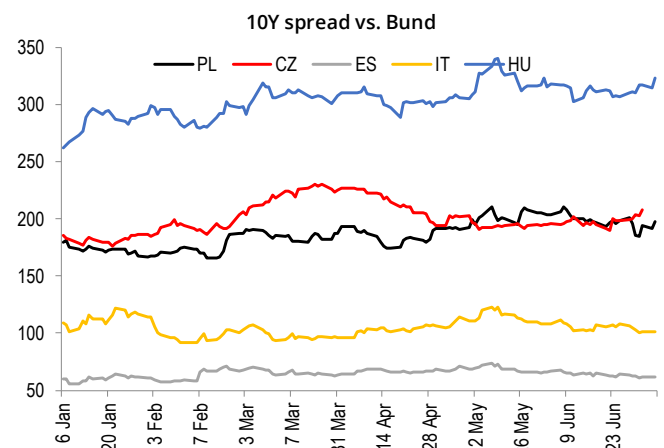
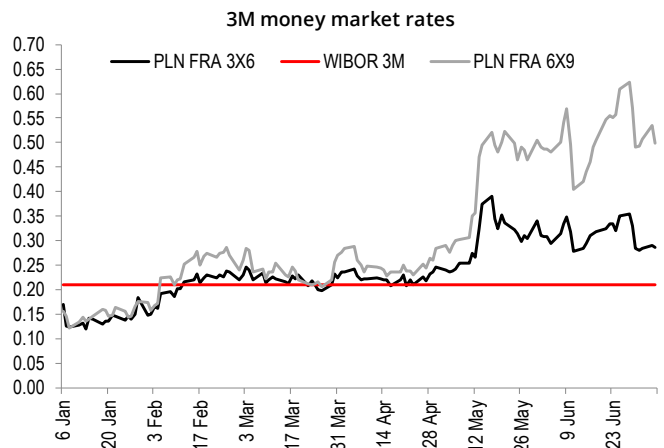
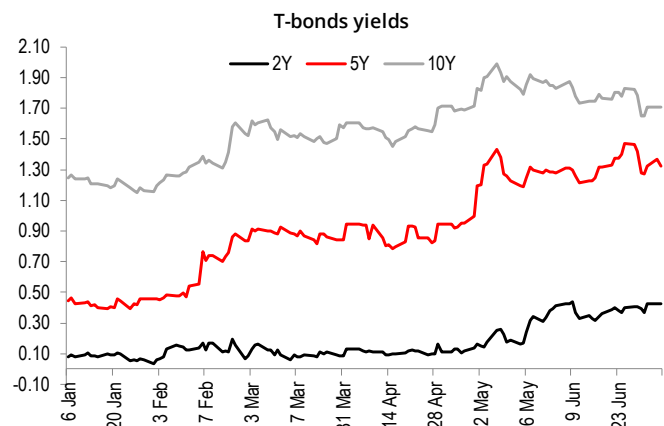
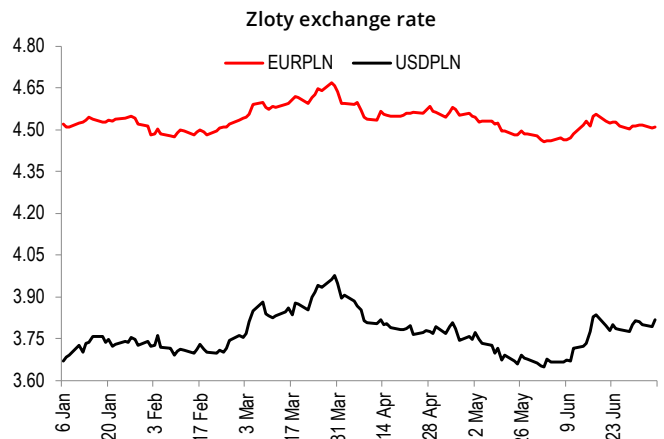
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	198	6
France	9	0	33	-1
Hungary	55	-9	323	8
Spain	30	0	61	0
Italy	43	0	102	0
Portugal	21	1	58	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			
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	50.3	55.1	
09:55	DE	Markit Germany Services PMI	Jun	pts	58.1	57.5	58.1	
10:00	EZ	Eurozone Services PMI	Jun	pts	58.0	58.3	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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