

Eyeopener

Fed may start tapering earlier

Stable equities and the dollar pre-FOMC minutes, stronger dollar afterwards
 Core market yields continue falling in a dynamic way
 Zloty weaker, as most other EM currencies
 IRS and POLGBs yields lower following core markets
 Today MPC meeting, Hungarian CPI, export data in Germany

On Wednesday during the European session the markets were waiting for the minutes from the June FOMC meeting. Industrial output data for May were released in Germany (slowdown to 17.3% y/y from 26.4% in April, below expectations), Hungary and Czechia (also showing a slowdown), but also in Sweden and Norway (higher growth than in April). In the USA, the number of unfilled vacancies (JOLTS survey) was 9.21m and was at almost the same level as a month earlier, but below expectations at 9.33m. Chinese state TV station CCTV informed that the country is considering a cut of the reserve requirement rate to boost credit in the economy – this can mean that the upcoming important data (2Q GDP due Thursday, 15 July) may come weak. Before the release of the FOMC minutes stock indexes in Europe were showing slight gains and the US ones some declines. The dollar was stable, but once again the core market yields were falling quite a lot, e.g. UST to 1.30% (from 1.45% on Tuesday morning) and Bund to -0.30% (from -0.20% on Tuesday morning), which led to lower yields also in Poland.

Minutes from the last Fed meeting pointed to a heated discussion whether the economy has already reached readiness to start QE tapering. There were opinions that conditions to do so could emerge earlier than assumed at the previous meetings, but the FOMC was not yet ready to present a schedule for this process. Policymakers discussed the asset breakdown in the QE programme, some FOMC members stressed that the uncertainty is still too high to draw conclusions about further policy prospects.

The **European Commission** revised economic forecasts for Poland. The GDP growth forecast went up in 2021 to 4.8% from 4.0%, while forecast for 2022 went down to 5.2% from 5.4%. CPI was raised in both years, to 4.2% from 3.5% in 2021 and to 3.1% from 2.9% in 2022. In the euro zone in 2021 the Commission sees GDP growth at 4.8% and at 4.5% in 2022 with inflation at 1.9% in 2021.

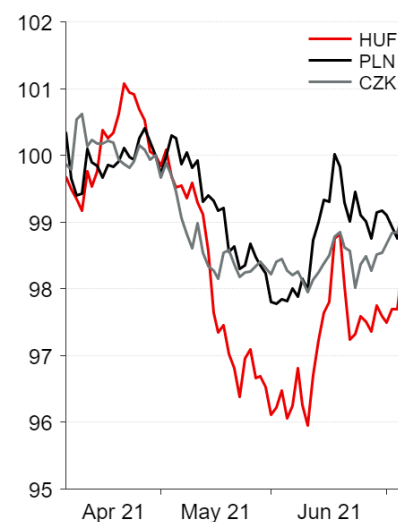
EURUSD was stable before the FOMC minutes near 1.1820. After the publication of minutes the dollar strengthened temporarily to 1.1780. Today in the morning after slight rebound it opens near 1.1800.

EURPLN has increased by 1 figure to 4.5250, perhaps following weaker forint, and by this has returned to the level from the start of the July. As a reaction to FOMC minutes EURPLN increased even further to 4.5350 where it opens today in the morning as well. Much more important for the zloty might be today's MPC meeting and new inflation projections with updated inflation forecasts.

As for the **other CEE currencies**, EURHUF dynamically increased almost to 357,0 (2 day change at +1.5%) and underperformed most other regional currencies (2 day change of PLNHUF is +1.0% to 78.9; while CZKHUF is up +0.9% to 13.9). The reason for the weaker forint is the possibility of losing access to EU funds: on Wednesday the EC's Ursula von der Leyen said that the process might start already this Autumn. The May industrial production in Hungary stood at 40.2% y/y vs 59.2% a month earlier and slightly above expectations. EURCZK was up 0.2% to 25.70. The Czech May industrial production printed at 32.3% y/y after slowing from 55.1% in April, and was well below expectations. USDRUB was stable (74.4) while during Wednesday it even temporarily fell to 74.0.

On the **domestic interest rate market**, the IRS curve decreased a lot, following the core markets: the fall was by 4bp on 2Y (to 0.86%) to 8bp on 10Y (1.74%). Local 10Y bond yield fell by 3bp to 1.65%. The Bund spread was still close to 194bp and 10Y ASW was -8bp. The Ministry of Finance informed that at the Friday switch auction it will be buying PS0721, DS1021, PS0422 bonds and selling OK0423, PS1026, WZ1126, WZ1131 and DS0423.

EURPLN, EURHUF, EURCZ rebased
(1/05/2021=100)



Source: Refinitiv Datastream, 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	4.5380	CZKPLN	0.1755
USDPLN	3.8468	HUFPLN*	1.2745
EURUSD	1.1796	RUBPLN	0.0513
CHFPLN	4.1574	NOKPLN	0.4384
GBPPLN	5.2961	DKKPLN	0.6101
USDCNY	6.4784	SEKPLN	0.4451

*for 100HUF

Last session in the FX market						07/07/2021
	min	max	open	close	fixing	
EURPLN	4.505	4.537	4.511	4.533	4.520	
USDPLN	3.809	3.851	3.816	3.842	3.823	
EURUSD	1.178	1.184	1.182	1.180	-	

Interest rate market 07/07/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.41	-2
DS0725 (5Y)	1.26	-6
DS1030 (10Y)	1.63	-8

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.42	-1	0.16	-2	-0.53	0
2L	0.87	-4	0.30	0	-0.47	0
3L	1.12	-6	0.51	-1	-0.42	-1
4L	1.31	-6	0.70	-2	-0.37	-1
5L	1.44	-7	0.85	-2	-0.31	-2
8L	1.64	-8	1.16	-3	-0.11	-3
10L	1.73	-9	1.29	-3	0.02	-3

WIBOR rates

Term	%	Change (bps)
O/N	0.11	1
T/N	0.11	1
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	0.27	-2
6x9	0.47	-3
9x12	0.71	-4
3x9	0.38	1
6x12	0.59	-6

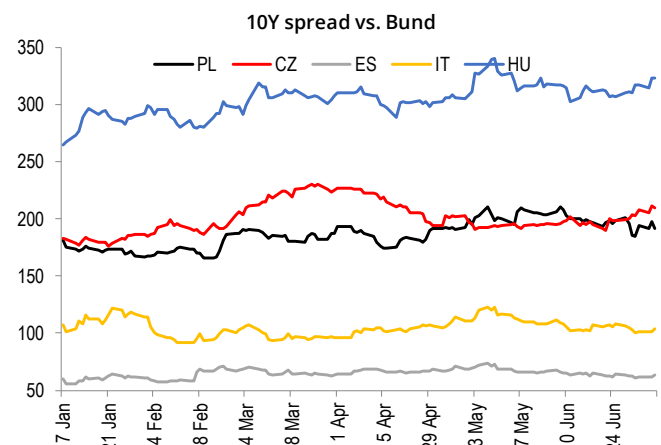
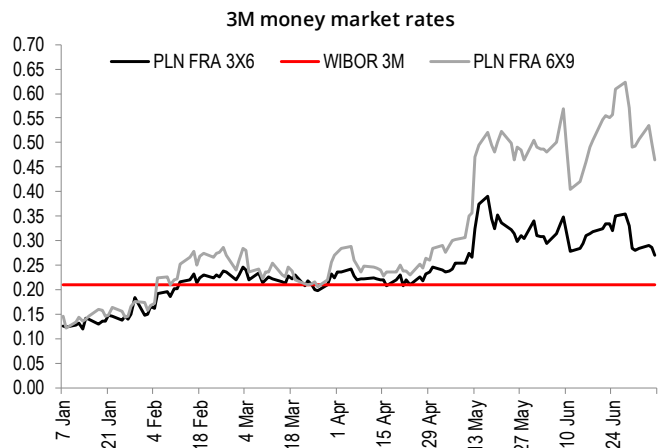
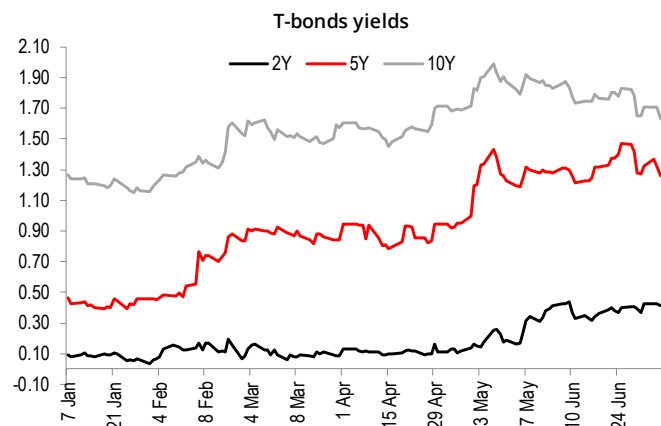
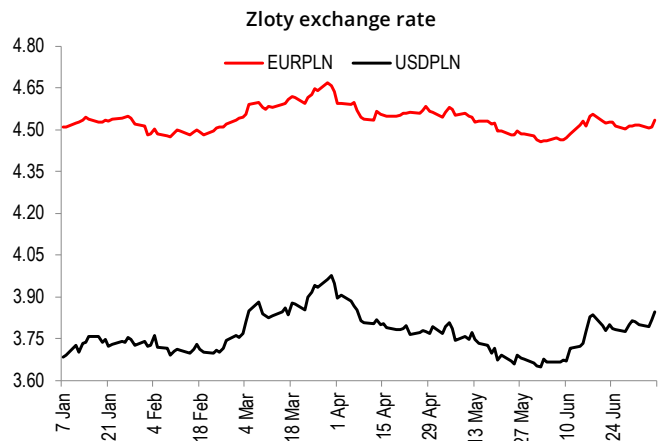
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	192	-6
France	9	0	33	1
Hungary	55	0	323	0
Spain	30	0	63	2
Italy	43	0	104	2
Portugal	21	0	60	2
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	-3.7	-0.2	
11:00	DE	ZEW Survey Current Situation	Jul	pts	5.5	21.9	-9.1	
11:00	EZ	Retail Sales	May	% m/m	4.4	4.6	-3.9	
16:00	US	ISM services	Jun	pts	63.8	60.1	64.0	
WEDNESDAY (7 July)								
08:00	DE	Industrial Production SA	May	% m/m	0.5	-0.3	-0.3	
09:00	CZ	Industrial Production	May	% y/y	34.9	32.3	55.1	
09:00	HU	Industrial Production SA	May	% y/y	39.6	40.2	59.2	
20:00	US	FOMC Meeting Minutes	Jun/21		-	-	-	
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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.