

Eyeopener

Lower current account surplus

Stock markets up after dovish statement of Fed's Jerome Powell
 Current account surplus in Poland below expectations
 Dollar weaker, core market yields lower
 EURPLN stable, POLGBs stronger, IRS higher
 Today US industrial output, final CPI inflation in Poland in June

On Wednesday stock markets started to gain after Fed's Jerome Powell said it is still long way to go before the FOMC economic targets are achieved and the bank would start tapering. He repeated that the QE program would last as long as the significant progress regarding price stability and maximum employment are achieved. He also stated that the inflation increase is transitory due to base effects, will remain elevated in the nearest months after which it would start to decline. As a result the dollar weakened by half of Tuesday's gain, UST and Bund yields fell by c3bp. The June PPI print in the US also surprised to the upside (+0.6pp) to 7.3% y/y. The euro zone industrial production in May declined more than expected (-1.0% m/m vs -0.3% m/m, previous reading at 0.6% m/m). The biggest declines occurred in Greece (-4.7% m/m), Ireland (-4.6% m/m), Portugal (-4.5% m/m). Industrial production remains subdued due to difficulties in obtaining components. China 2Q21 GDP stood at 7.9% y/y, slightly below expectations (8.1% y/y). Chinese economy is struggling with the supply chain disruptions which negatively impacts growth, but it is worth noting that the economy is already back on the pre-pandemic growth path.

Current account balance surprised to the downside in May with only a small surplus of +EUR60mn (we expected: +EUR1061mn, market: +EUR1317mn). The downward surprise was mainly due to a strong rebound in imports, which advanced by 59.7% y/y, while exports added 41.7% y/y. According to NBP, jump in imports was mainly visible in intermediate goods and it may be correlated with strong results of industry. This development dragged the goods balance down to EUR185mn from EUR1300mn in April 2021 and EUR1366mn in May 2020. Other balances were roughly in line with our expectations, with trade in services still muted (exports and imports still by more than 10% lower than in 2019). In the following months we are expecting trade in goods to remain strong and services to begin catching up. 12m current account surplus declined to 2.9% of GDP from 3.2% of GDP in April and we are expecting this measure to go down in the months to come.

NBP Deputy Governor Marta Kightley said that within the FX reserve management mandate, the NBP management decided last year about opening "not large" exposure in equity index futures (mostly the US and European ones). The execution of the trades happened in 2021 already. On top of that she said that attempts to quickly fight inflation with rate hikes would mean significant risks to macroeconomic and financial stability, as the economic activity has just started recovering. According to Ms Kightley CPI inflation will remain above 3.5% until the end of the year. In 2022, after the transitory administrative and supply factors diminish, the inflation will decline. She added that the inflation target is of medium-term type which means the inflation itself can be both above and below the inflation target, as well as the inflation target band.

EURUSD rebounded higher to 1.182 (+0.4%) but remains below the Tuesday open (1.1860).

EURPLN remained unchanged at 4.5770, but was quite volatile intraday (range 4.5690 – 4.5920).

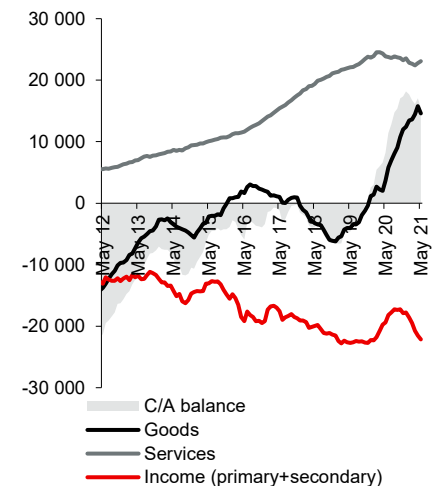
As for other CEE currencies: EURHUF went up to 359.2 and broke above the previous local maximum from 8 July and the 200-day moving average. We expect further increases in EURHUF going forward. EURCZK was stable (25.65) despite worse than expected current account reading. USDRUB slightly fell to 74.10.

On the domestic interest rate market 10Y bond yields remained unchanged at 1.69% and 5Y fell by a few bp to 1.20% (major coupon payments and bond buybacks are scheduled for July). IRS rates went up by 2-3bp so the asset swap spread narrowed. Spread to Bund widened to 200bp.

BGK sold FPC0328 and FPC0631 bonds at yesterday auction. Amid demand at PLN1.72bn, final sales amounted to PLN1.22bn. In total, together with recently issued EUR-denominated bond, BGK has issued securities worth PLN28.2bn (out of mandate of PLN39.7bn).

The Finance Ministry informed it sold **retail bonds** worth PLN3.7bn in June. May sales amounted to PLN3.8bn.

Polish current account and components, EUR mln, 12m sum



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FX market

Today's opening			
EURPLN	4.5741	CZKPLN	0.1786
USDPLN	3.8643	HUFPLN*	1.2623
EURUSD	1.1840	RUBPLN	0.0521
CHFPLN	4.2271	NOKPLN	0.4419
GBPPLN	5.3525	DKKPLN	0.6150
USDCNY	6.4583	SEKPLN	0.4479

*for 100HUF

Last session in the FX market						14.07.2021
	min	max	open	close	fixing	
EURPLN	4.567	4.593	4.575	4.575	4.590	
USDPLN	3.863	3.898	3.882	3.869	3.896	
EURUSD	1.177	1.183	1.178	1.183	-	

Interest rate market 14.07.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.46	2
DS0725 (5Y)	1.22	-3
DS1030 (10Y)	1.71	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.37	1	0.17	-1	-0.53	0
2L	0.75	4	0.30	-3	-0.46	0
3L	1.05	3	0.53	-3	-0.42	-1
4L	1.26	2	0.72	-4	-0.36	-2
5L	1.42	3	0.87	-5	-0.31	-3
8L	1.67	3	1.19	-6	-0.12	-4
10L	1.77	2	1.33	-7	0.01	-4

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	0.30	2
6x9	0.41	2
9x12	0.58	3
3x9	0.35	-2
6x12	0.52	3

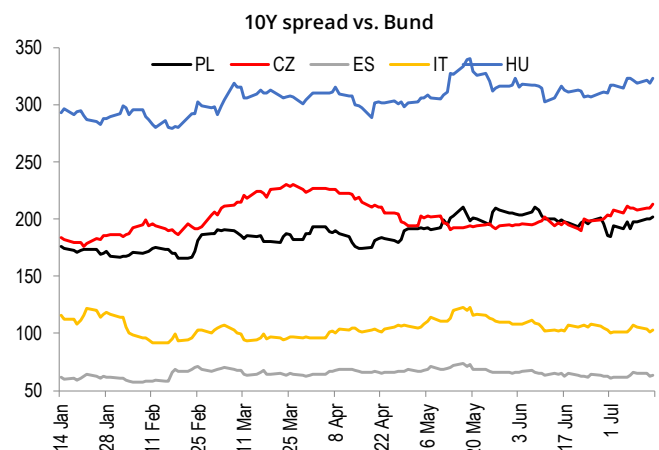
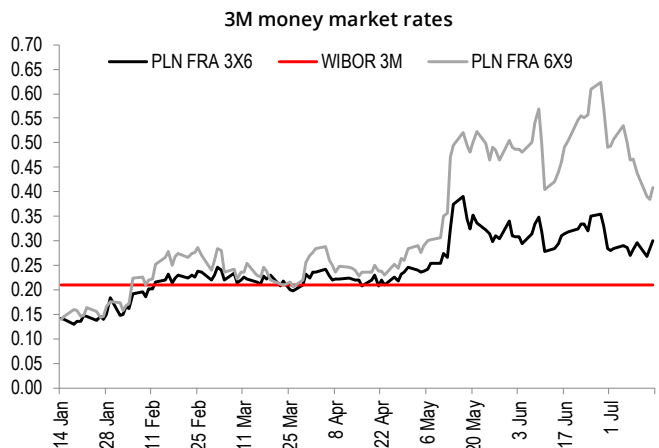
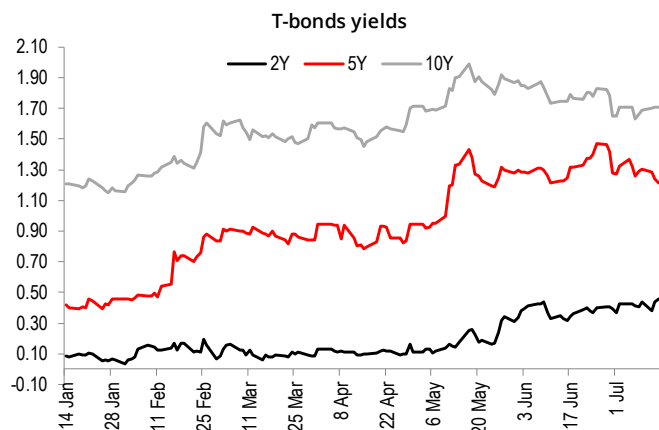
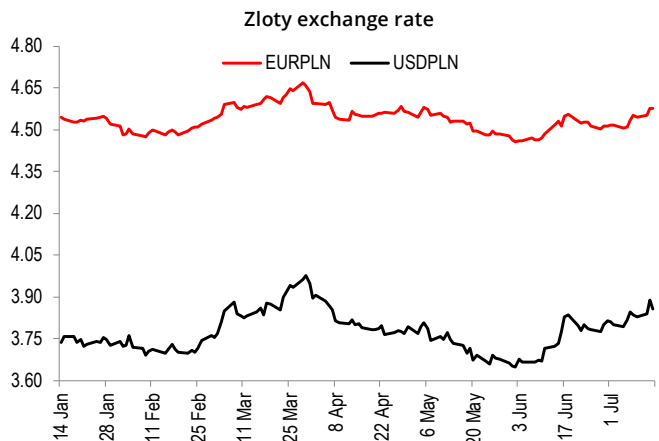
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	202	1
France	9	0	34	0
Hungary	55	0	323	4
Spain	30	0	63	1
Italy	43	0	103	1
Portugal	21	0	61	0
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		
MONDAY (12 July)							
11:00	PL	NBP Staff forecasts					
TUESDAY (13 July)							
08:00	DE	HICP	Jun	% m/m	0.4	0.4	0.4
09:00	CZ	CPI	Jun	% y/y	2.7	2.8	2.9
14:30	US	CPI	Jun	% m/m	0.5	0.9	0.6
WEDNESDAY (14 July)							
11:00	EZ	Industrial Production SA	May	% m/m	-0.3	-1.0	0.8
14:00	PL	Current Account Balance	May	€mn	1317	1061	60
14:00	PL	Trade Balance	May	€mn	1015	831	185
14:00	PL	Exports	May	€mn	23000	22801	22636
14:00	PL	Imports	May	€mn	21482	21970	22451
THURSDAY (15 July)							
10:00	PL	CPI	Jun	% y/y	4.4	4.4	-
14:30	US	Initial Jobless Claims		k	350	-	364
14:30	US	Index Philly Fed	Jul		29.4	-	30.7
15:15	US	Industrial Production	Jun	% m/m	0.6	-	0.85
FRIDAY (16 July)							
11:00	EZ	HICP	Jun	% y/y	-	-	1.9
14:00	PL	CPI Core	Jun	% y/y	3.7	3.6	-
14:30	US	Retail Sales Advance	Jun	% m/m	-0.05	-	-1.3
16:00	US	Michigan index	Jul	pts	86.5	-	85.5

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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