

## Eyeopener

### Today labour market data

Stock markets stable until Michigan index, then slight declines  
 Dollar stable, UST yields stable, Bund yields lower  
 EURPLN elevated at 4.5850, POLGB stable despite NBP auction  
 Today June employment and wages in Poland

On Friday stocks were stable for the better part of the day and only after worse than expected reading of the University of Michigan indices, stocks started to decline. The dollar, gold and oil were almost stable. The 10Y UST yield after 2 days of declines rebounded to 1.33% (+3bp) but fell back to flat towards the end of the day (1.30%). The Bund yields continued downward trend for the third day in a row – by 2bp to -0.35%. The final June HICP reading in the Eurozone was confirmed at 1.9% y/y. In the US the June retail sales surprised to the upside by 0.9pp m/m (but the previous month's reading was revised down by 0.4pp to -1.7% m/m). University of Michigan index disappointed however and by a lot (in sentiment, current situation and expectations). According to survey data the inflation expectations over the next 12 months increased to 4.8%/y (vs 4.2% in June). On Sunday the OPEC+ agreed to increase the supply of oil by 400k bpd starting from August. At the same time, the return to the full pre-pandemic capacity was postponed from April 2022 till the end of 2022.

**All core inflation measures** declined in June, inflation ex food and energy prices to 3.5% from 4.0% y/y in May (lowest since January 2020), mostly due to falling prices of communication services and footwear. Inflation ex administered prices declined to 4.0% from 4.4% y/y, ex most volatile prices to 2.9% from 3.0% and 15% trimmed mean to 3.1% from 3.3%. In our view the main core inflation measure is likely to go slightly down in the months to come, but in our view it will stay above 3.0% y/y.

URE (energy market-regulator) has approved **new gas tariffs** which come into force in August. The price of the gas in the new tariff will be revised higher by 12.4% which should translate into higher costs for households by 6-7% and add about 0.1pp to CPI inflation. In our opinion, recent changes in the wholesale gas and electricity markets imply that the retail tariff prices of these commodities are likely to go up in the months to come.

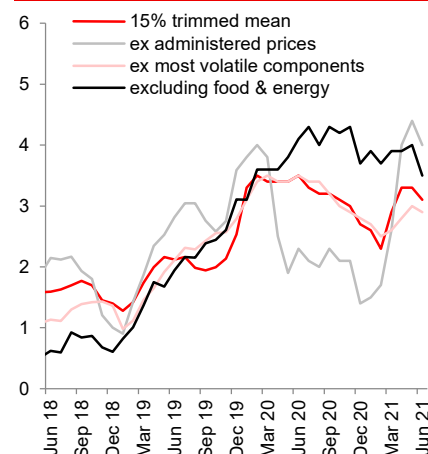
**EURUSD** on Friday was again low on volatility (1 week realised volatility near 5%) and despite the data from the US was unable so far to break below 1.1800. Nevertheless we think it will finally break and move towards 1.1600.

**EURPLN** remained at an elevated level near 4.5850. As we indicated earlier, the zloty is underperforming due to the dovish NBP stance and discussions with the EU regarding the rule of law. The RSI indicator has reached the overbought territory however, hence the consolidation is likely before any further moves to the upside.

**As for the other regional currencies** EURHUF slowly but surely keeps increasing (to 360.0 on Friday) and we reckon the move should continue towards 370.0. The Czech koruna gained on Friday and is currently flat MTD (25.55) despite being as high at 25.90 (+1.6%) on 8 July. USDRUB was roughly unchanged for a third day in a row on Friday and Monday open (near 74.3) despite the OPEC+ deal.

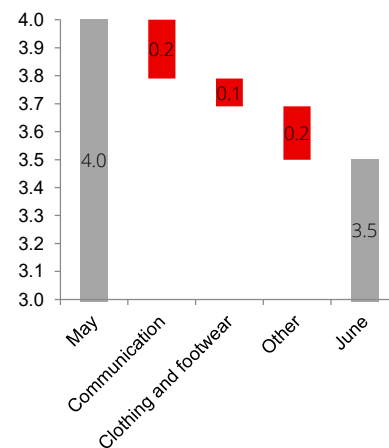
**On the domestic interest rate market** there was a NBP bond purchasing auction on Friday. In total the NBP bought 8 series worth PLN4.4bn: 6 series of T-bonds worth PLN3.7bn and 2 series of BGK bonds worth PLN0.7bn. Thus, the total size of NBP asset purchases exceeded PLN140bn (PLN80bn of T-bonds, PLN60bn of state-guaranteed debt). Bond yields were quite stable on Friday (2Y at 0.39%, 5Y at 1.19%, 10Y at 1.65%). Also the IRS curve was stable for the better part of the day (2Y at 0.74%, 5Y at 1.39%, 10Y at 1.73%), but went slightly down at the end of the day following the core markets. As the Polish curve was stable, the spread to Bund widened above 200bp.

#### Core inflation, % y/y



Source: NBP, Santander

#### Core inflation – breakdown of changes in June, % y/y



Source: NBP, Santander

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**FX market**

Today's opening			
EURPLN	4.5813	CZKPLN	0.1791
USDPLN	3.8827	HUFPLN*	1.2631
EURUSD	1.1802	RUBPLN	0.0523
CHFPLN	4.2189	NOKPLN	0.4379
GBPPLN	5.3384	DKKPLN	0.6159
USDCNY	6.4808	SEKPLN	0.4465

\*for 100HUF

Last session in the FX market						16.07.2021
	min	max	open	close	fixing	
EURPLN	4.573	4.590	4.576	4.580	4.587	
USDPLN	3.871	3.891	3.875	3.878	3.881	
EURUSD	1.179	1.182	1.181	1.181	-	

**Interest rate market** 16.07.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.37	-6
DS0725 (5Y)	1.21	-1
DS1030 (10Y)	1.67	-2

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.36	-2	0.17	0	-0.53	0
2L	0.71	-3	0.30	0	-0.47	-1
3L	1.00	-4	0.53	0	-0.42	0
4L	1.20	-4	0.71	0	-0.37	-1
5L	1.35	-5	0.84	0	-0.32	0
8L	1.59	-4	1.14	-1	-0.14	0
10L	1.68	-5	1.27	-1	-0.01	-1

**WIBOR rates**

Term	%	Change (bps)
O/N	0.11	1
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	1
3x6	0.29	-1
6x9	0.38	-4
9x12	0.55	-3
3x9	0.33	-2
6x12	0.47	-5

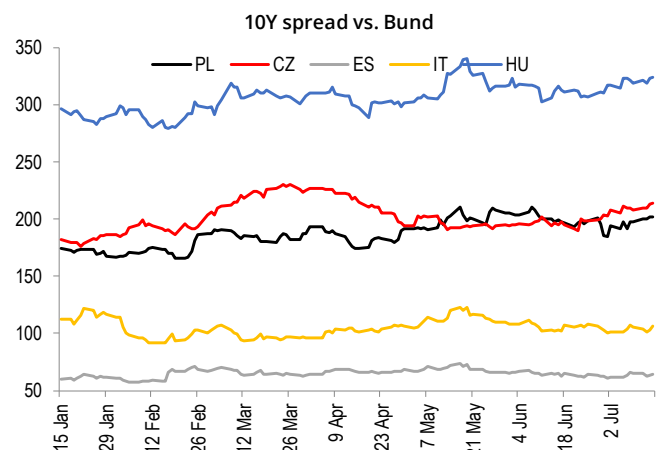
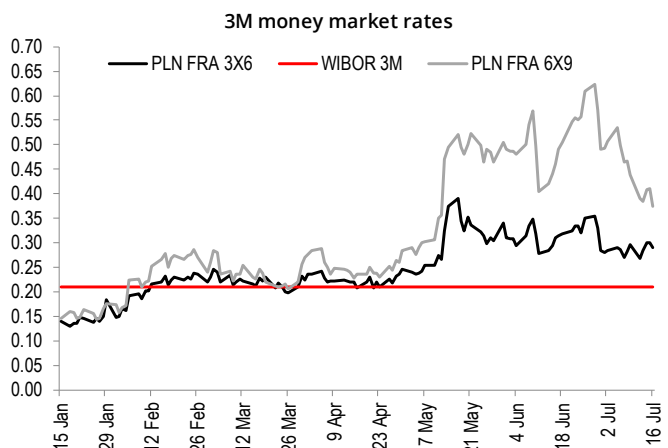
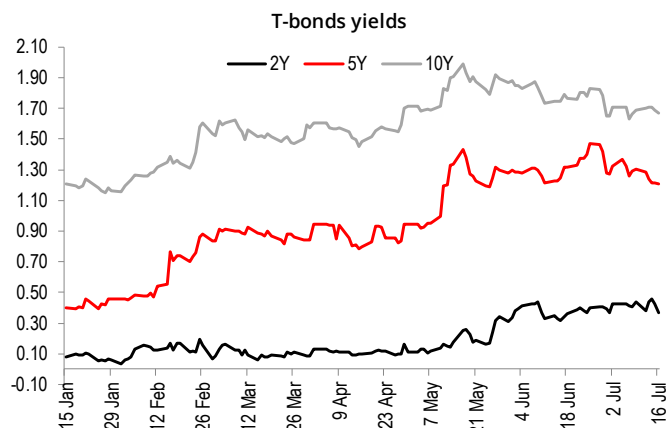
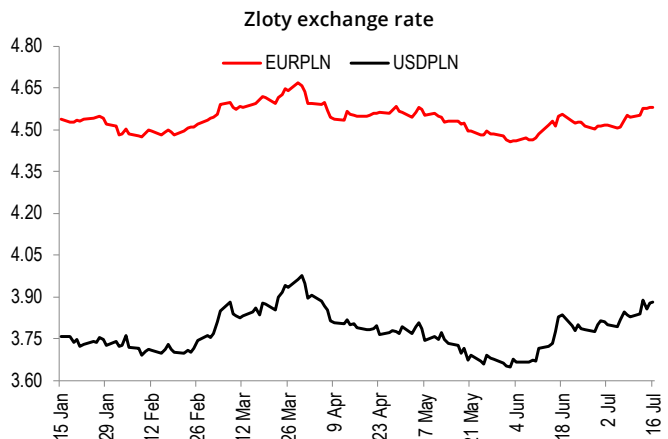
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	202	0
France	9	0	34	1
Hungary	55	0	324	1
Spain	30	0	64	1
Italy	43	0	106	3
Portugal	21	0	62	1
Ireland	11	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		
<b>FRIDAY (16 July)</b>								
11:00	EZ	HICP	Jun	% y/y	1.9		1.9	1.9
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>Jun</b>	<b>% y/y</b>	<b>3.6</b>	<b>3.6</b>	<b>3.5</b>	<b>4.0</b>
14:30	US	Retail Sales Advance	Jun	% m/m	-0.3		0.6	-1.7
16:00	US	Michigan index	Jul	pts	86.5		80.8	85.5
<b>MONDAY (19 July)</b>								
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>Jun</b>	<b>% y/y</b>	<b>2.7</b>	<b>2.7</b>	-	<b>2.7</b>
<b>10:00</b>	<b>PL</b>	<b>Average Gross Wages</b>	<b>Jun</b>	<b>% y/y</b>	<b>9.3</b>	<b>8.8</b>	-	<b>10.1</b>
<b>TUESDAY (20 July)</b>								
<b>10:00</b>	<b>PL</b>	<b>Sold Industrial Output</b>	<b>Jun</b>	<b>% y/y</b>	<b>18.0</b>	<b>19.0</b>	-	<b>29.8</b>
<b>10:00</b>	<b>PL</b>	<b>PPI</b>	<b>Jun</b>	<b>% y/y</b>	<b>6.8</b>	<b>8.8</b>	-	<b>6.5</b>
14:30	US	Housing Starts	Jun	% m/m	1.2		-	3.6
<b>WEDNESDAY (21 July)</b>								
<b>10:00</b>	<b>PL</b>	<b>Construction Output</b>	<b>Jun</b>	<b>% y/y</b>	<b>6.8</b>	<b>7.0</b>	-	<b>4.7</b>
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>Jun</b>	<b>% y/y</b>	<b>9.0</b>	<b>7.6</b>	-	<b>13.9</b>
<b>THURSDAY (22 July)</b>								
13:45	EZ	ECB Main Refinancing Rate	Jul/21	%	0.0		-	0.0
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>Jun</b>	<b>% y/y</b>	<b>7.5</b>	<b>8.8</b>	-	<b>9.0</b>
14:30	US	Initial Jobless Claims		k			-	360.0
16:00	US	Existing Home Sales	Jun	% m/m	2.6		-	-0.9
<b>FRIDAY (23 July)</b>								
09:30	DE	Germany Manufacturing PMI	Jul	pts	64.6		-	65.1
09:30	DE	Markit Germany Services PMI	Jul	pts	60.0		-	57.5
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	62.5		-	63.4
10:00	EZ	Eurozone Services PMI	Jul	pts	60.0		-	58.3
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>Jun</b>	<b>%</b>	<b>6.0</b>	<b>6.0</b>	-	<b>6.1</b>

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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