

## Eyeopener

### US labour market encourages to hike rates

US employment rose more than expected, climate in services worsens  
No promises for further fiscal expansion at the PiS congress during the weekend  
Koruna struggles, forint strengthened and zloty weakened

**Today's** calendar is almost empty, we will only get to see Czech industrial production probably moving into a slight y/y decline (as a point of reference, we remind that the last quarters before the pandemic were also marked by negative annual production growth). China's services PMI, published last night, has rebounded thanks to the partial removal of pandemic restrictions (including Shanghai and Beijing), but is still well below the neutral 50 threshold and has advanced less than expected.

**The ruling Law and Justice party held a congress** over the weekend, and although media reports suggested that new proposals for fiscal stimulation would be announced, no concrete announcements were made (support in purchasing coal for the poorest was mentioned, though). The party leader assured that fighting inflation is a priority.

**US labour market data** showed higher than expected monthly non-farm employment growth and markets interpreted it as supportive for further rate hikes by the Fed. The data set also included a mild y/y decline in wage growth, in line with expectations, and no decline in the unemployment rate (which was expected to be a notch lower, with the broader measure of unemployment up 0.1pp).

**The final May PMI readings for German and euro area** services turned out to be lower than initially estimated, with the former revised down to -1.3pts and the latter -0.2pts. In the case of the German services sector, on the one hand, the PMI report captured the weakening of demand due to rising prices and the fact that the expectations index for the year ahead remained below the long-term average, and on the other hand, the demand for labour remained strong (the index rose to its highest level since November). The ISM for the US services sector surprised negatively.

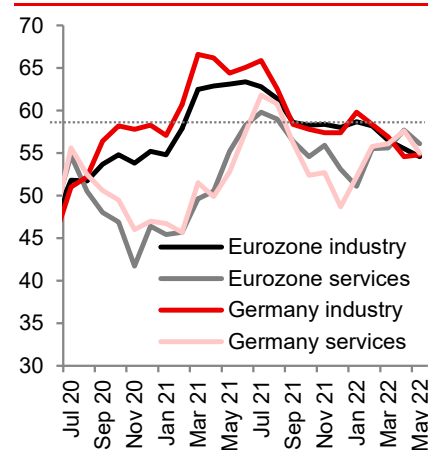
While the equity markets in Germany and France started Friday with a strong opening and then gradually trimmed their gains, in the USA the strong data from the labour market caused falls in stock indices already at the beginning of the local session and by the end of the day there was no rebound. Under these circumstances **EURUSD**, despite the ease with which it rebounded from 1.065 to 1.075 in the middle of last week, was no longer able to continue this rebound on Friday and this morning is at 1.073.

**EURPLN** has been clearly falling for most of May, but June so far shows no sign of continuing this trend. On Friday, the exchange rate moved up by ca. PLN2.00, and even though it did not break through or close above 4.60 during the day, we should expect the depreciation drift to continue until the MPC's decision. In our opinion, the very poor reading of the Polish PMI in May is a good reason to correct the significant strengthening of the zloty from previous weeks. On the other hand, a hawkish signal from the central bank (probably to be found in the NBP President's conference rather than in the MPC's announcement) may guide EURPLN back to the 4.55 area.

**Other CEE currencies:** EURCZK, after two weeks of gradual upward movement, behaved on Friday as if it wanted to reverse the move - it was rather flat on the daily chart and the rebound during the session was unable to reach above 24.70. The koruna was supported by words of CNB deputy president Tomas Nidetzky who indicated that rates could be raised further. Hungary's European Affairs Minister signalled efforts to unlock access to EU recovery funds. Hungary's agreement with the EC would be reached by the end of this year. EURHUF fell around 392 on Friday and closed the week there.

**Debt market:** rising yields in the core markets prevent Polish bonds from major strengthening. US labour market data reignited expectations for Fed's interest rate hikes, and so the yield of 10Y UST initially moved by c.6bp towards 3% and then cancelled most of this move. We have the impression that even if Polish MPC presents softer tone this week, it does not have to result in significant decline of Polish yield curves, as market will start discounting even more prolonged period of elevated inflation. Another barrier for strengthening of the debt market is the continuing rise of crude oil price - the announcement of higher production by OPEC+ last week was apparently not enough to calm down the market, as on Friday.

PMIs in Germany and the Eurozone



Source: Markit, GUS, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
Piotr Bielski +48 691 393 119  
Jarosław Kosaty +48 887 842 480  
Marcin Luzziński +48 510 027 662  
Grzegorz Ogonek +48 609 224 857

### FX market

Today's opening			
EURPLN	4.5879	CZKPLN	0.1856
USDPLN	4.2786	HUFPLN*	1.1528
EURUSD	1.0721	RUBPLN	0.0704
CHFPLN	4.4417	NOKPLN	0.4527
GBPPLN	5.3395	DKKPLN	0.6162
USDCNY	6.6512	SEKPLN	0.4375

\*for 100HUF

### Last session in the FX market 03/06/2022

	min	max	open	close	fixing
EURPLN	4.573	4.600	4.574	4.591	4.588
USDPLN	4.252	4.292	4.258	4.286	4.293
EURUSD	1.070	1.076	1.075	1.071	-

### Interest rate market 03/06/2022

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.72	-4
DS0726 (5Y)	7.05	8
DS0432 (10Y)	6.68	7

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.68	3	2.69	2	0.58	4
2L	7.49	4	3.01	3	1.26	6
3L	7.15	0	3.01	2	1.50	6
4L	6.87	-4	2.98	2	1.62	6
5L	6.78	3	2.96	3	1.70	5
8L	6.53	4	2.96	2	1.88	4
10L	6.46	3	2.99	2	1.99	3

### WIBOR rates

Term	%	Change (bps)
O/N	5.42	-23
T/N	5.62	-1
SW	5.76	11
2W	5.91	10
1M	6.01	4
3M	6.66	2
6M	6.91	1
1Y	6.99	4

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	7.10	1
3x6	7.63	1
6x9	7.80	2
9x12	7.79	2
3x9	7.83	1
6x12	8.00	2

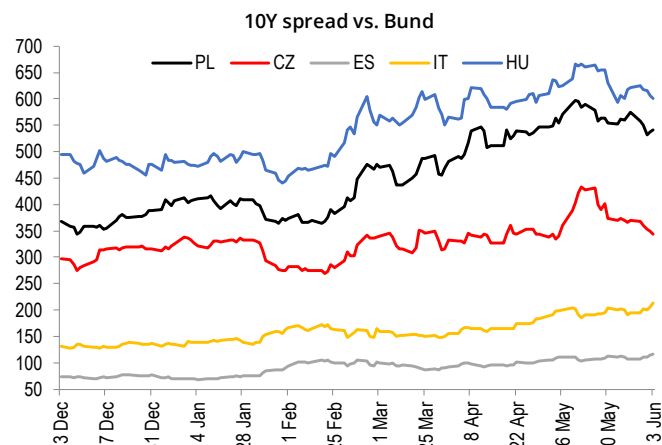
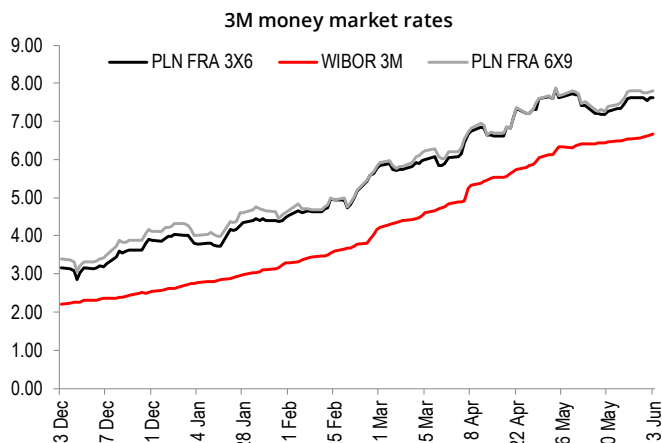
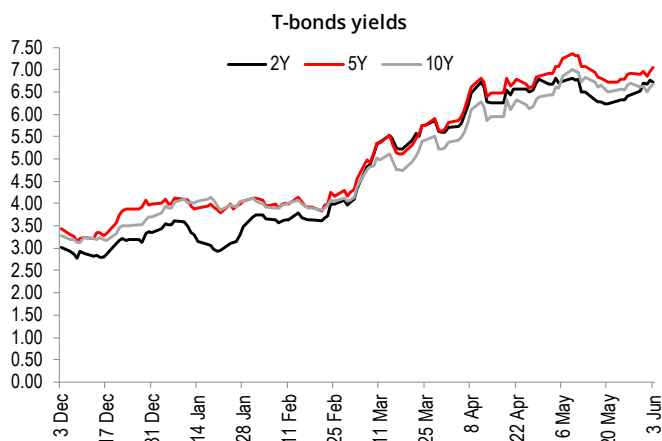
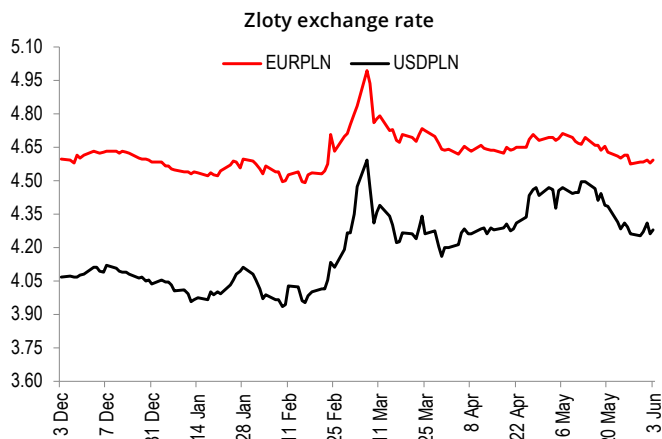
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	105	0	541	3
France	10	0	53	0
Hungary	130	0	601	-5
Spain	53	0	116	2
Italy	63	0	213	7
Portugal	43	0	121	2
Ireland	13	0	58	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 (3 Jun)</b>								
08:00	DE	Export	Apr	% m/m	1.0	-	4.4	-3.0
09:55	DE	Services PMI	May	pts	56.3	-	55.0	57.6
10:00	EZ	Services PMI	May	pts	56.3	-	56.1	57.7
11:00	EZ	Retail sales	Apr	% m/m	0.3	-	-1.3	0.3
14:30	US	Non-farm payrolls	May	k	325	-	390	436
14:30	US	Unemployment rate	May	pts	3.5	-	3.6	3.6
16:00	US	ISM Services	May	pts	56.5	-	55.9	57.1
<b>MONDAY (6 Jun)</b>								
03:45	CN	Services PMI	May	pts	46	-	41.4	36.2
09:00	CZ	Industrial output	Apr	% y/y	-	-	-	0.3
<b>TUESDAY (7 Jun)</b>								
06:30	AU	RBA rate decision		%	0.68	-	-	0.35
08:00	DE	Factory orders	Apr	% m/m	0	-	-	-4.7
<b>WEDNESDAY (8 Jun)</b>								
	<b>PL</b>	<b>NBP rate decision</b>		<b>%</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>5.25</b>
08:00	DE	Industrial output	Apr	% m/m	1.2	-	-	-3.9
09:00	HU	Industrial output	Apr	% y/y	-	-	-	4.2
09:00	HU	CPI	Apr	% y/y	-	-	-	9.5
11:00	EZ	GDP	1Q	% q/q	0.3	-	-	0.3
<b>THURSDAY (9 Jun)</b>								
13:45	EZ	ECB rate decision		%	0	-	-	0
14:30	US	Initial jobless claims	week	k	210	-	-	210
<b>FRIDAY (10 Jun)</b>								
09:00	CZ	CPI	May	% y/y	-	-	-	14.2
14:30	US	CPI	May	% m/m	0.7	-	-	0.3
16:00	US	Michigan consumer confidence	Jun	pts	59	-	-	58.4

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.