

7 June 2022

Eyeopener

Polish bonds do not lose with core markets

Finance Ministry announcing cautious approach to new fiscal spending
 Unemployment rate fell below pre-pandemic levels in May
 Koruna vulnerable to CNB statements, HUF getting stronger
 Zloty stable

The calendar is empty today when it comes to local releases and also in main economies so the markets are left waiting for the most important events of the week: MPC decision in Poland, ECB decision on Thursday. Also the Friday US CPI release has market-moving potential in our view. The period before these events does not have to be quiet on the markets, because commodity prices are reacting in a volatile way to pandemic developments in China (gradual removal of restrictions leads to more expensive industrial commodities and oil) and this is putting upside pressure on bond yields on core markets.

NBP informed that **the press conference of governor Adam Glapiński** will be held on Thursday at 1500 CET, the day after the MPC decision. In March all MPC members voted for a 75bp rate hike.

Yesterday evening in the UK Parliament there was a vote of confidence that ended positively for PM Boris Johnson and his cabinet. This morning the central bank of Australia raised rates for the second time in this tightening cycle, but this time by 50bp instead of 25bp.

Magdalena Rzeczkowska stated that the Ministry of Finance is aware of the fact that more public spending will mean more time before inflation goes back to a more acceptable level. She wants to take a more cautious approach to new expenditures and cause a decline in the ratio of public spending to GDP. The minister explained that **the fiscal restraint** will not mean that any social program would be closed. Her remarks go in line with the message from the weekend PiS convention where, surprisingly, no new costly measures were announced. In Rzeczkowska's view the Polish recovery plan will add 0.4pp to 2023 inflation.

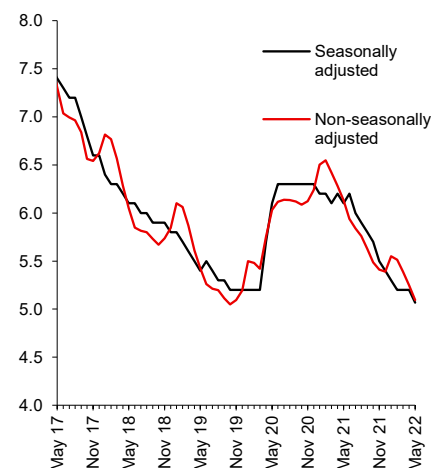
In May **the registered unemployment rate** was 5.1% after a decline of the number of the unemployed by 26k m/m. This is not a spectacular result – an average May decline in the years 2015-2021, omitting the pandemic 2020 is 50k) – but in our view this is still showing that the labour market is in a decent shape. What also has to be noted is that the number of the unemployed now includes Ukrainian refugees that chose to register in labour offices, while the refugees that have found a job (the data signal some 200k of them) are, according to our knowledge, not being added to the number of the employed. There were 23.4k formally registered Ukrainian refugees in April which added 0.1pp to the unemployment rate and in May the effect might have been similar. According to our estimates the seasonally adjusted unemployment rate went in May below the pre-pandemic level for the first time. We expect a further fall of unemployment in the months to come, although the pace of the decline may be slower as the business climate worsen. At the turn of 2022 and 2023 there could be some rise of unemployment.

EURUSD dropped some more, to 1.07 – it has recently stayed around the level. **EURPLN** also did not attempt on Monday to leave the recent trading range.

Other CEE currencies: CNB chief Jiri Rusnok, who completes his term in less than a month, assessed that the last decision-making meeting he is going to attend can result in a rate hike of at least 75 bp, as such a decision is supported by the data and the koruna proved weaker than expected. The statement allowed the koruna to continue strengthening yesterday morning. However, the subsequent words of Oldrich Dedek, a staunch opponent of rate hikes, triggered a significant upward shift of EURCZK, clearly above 24.7. On the other hand, the appreciation of the forint continued in Hungary and the scale of the movement was even greater than during the previous sessions (EURHUF moved from 392 to 388).

The debt market behaved rather calmly this time despite 10L UST yields rising by 10 bp (a decisive upward break through 3%) and Bunds by about 6 bps (short ends also went up but to a lesser extent). Interest rate markets were concerned about the persistence of the high oil price (Brent in the vicinity of USD 120 per barrel) - the expectations for total US rate hikes exceeded 200 bp yesterday and in the euro area the expected level of the main rate reached 1%. Domestically, there was overwhelming demand for longer-dated bonds, with yields falling by 4-6 bps as a result.

Registered unemployment rate, %



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.5900	CZKPLN	0.1852
USDPLN	4.2995	HUFPLN*	1.1762
EURUSD	1.0676	RUBPLN	0.0706
CHFPLN	4.4185	NOKPLN	0.4535
GBPPLN	5.3665	DKKPLN	0.6164
USDCNY	6.6696	SEKPLN	0.4373

*for 100HUF

Last session in the FX market						06/06/2022
	min	max	open	close	fixing	
EURPLN	4.578	4.597	4.582	4.586	4.588	
USDPLN	4.265	4.293	4.272	4.287	4.268	
EURUSD	1.068	1.075	1.073	1.070	-	

Interest rate market 06/06/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.84	11
DS0726 (5Y)	7.01	-4
DS0432 (10Y)	6.62	-6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.69	1	2.74	4	0.61	3
2L	7.50	1	3.07	6	1.29	3
3L	7.21	6	3.09	9	1.52	2
4L	6.96	9	3.08	10	1.65	3
5L	6.79	1	3.07	11	1.74	3
8L	6.55	2	3.08	12	1.90	2
10L	6.48	2	3.11	12	2.00	2

WIBOR rates

Term	%	Change (bps)
O/N	5.35	-7
T/N	5.47	-15
SW	5.90	14
2W	6.00	9
1M	6.05	4
3M	6.70	4
6M	6.94	3
1Y	7.02	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.11	1
3x6	7.63	0
6x9	7.80	0
9x12	7.80	0
3x9	7.82	-1
6x12	7.97	-4

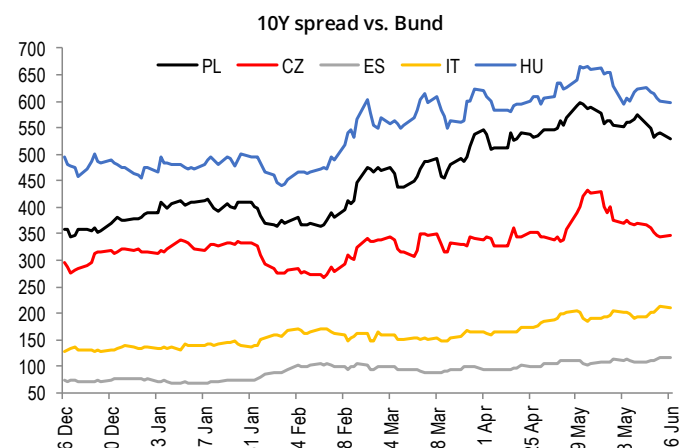
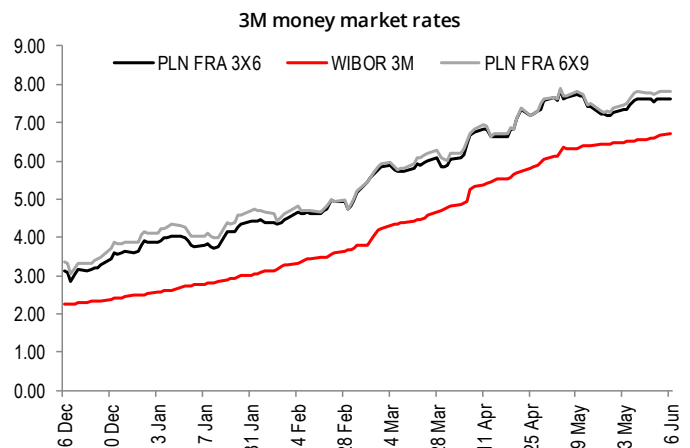
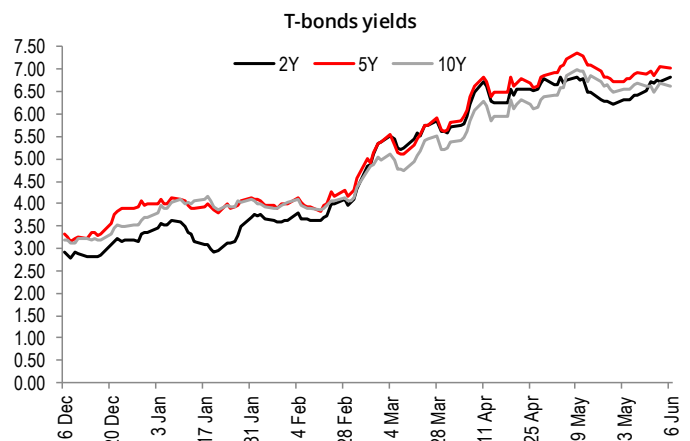
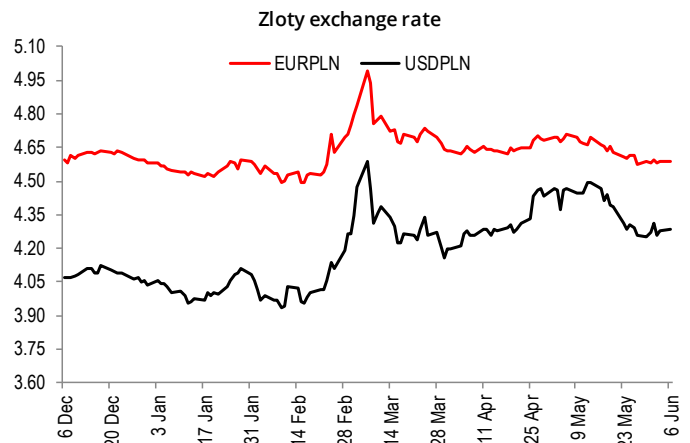
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	104	-1	529	-12
France	10	0	52	-1
Hungary	130	0	596	-5
Spain	53	0	115	0
Italy	65	2	210	-3
Portugal	43	0	120	-1
Ireland	13	0	55	-3
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 (3 Jun)								
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
MONDAY (6 Jun)								
03:45	CN	Services PMI	May	pts	46	-	41.4	36.2
09:00	CZ	Industrial output	Apr	% y/y	-	-	-	0.3
TUESDAY (7 Jun)								
06:30	AU	RBA rate decision		%	0.68	-	-	0.35
08:00	DE	Factory orders	Apr	% m/m	0.4	-	-	-4.7
WEDNESDAY (8 Jun)								
	PL	NBP rate decision		%	6.00	6.00	-	5.25
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
THURSDAY (9 Jun)								
13:45	EZ	ECB rate decision		%	0	-	-	0
14:30	US	Initial jobless claims	week	k	210	-	-	210
15:00	PL	Adam Glapiński's conference						
FRIDAY (10 Jun)								
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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