

## Eyeopener

### Another day of a strong decline in yields

Today M3 money supply and POLGB auction  
Retail sales in May below forecasts, construction higher  
EURPLN up to 4.70, bonds yields and IRS rates strongly down again

**Today**, we will get to see domestic data on May M3 money supply, and results of the bond sale auction, which is to amount to PLN3-4bn. Indirectly, it will provide us with information whether the current – much more attractive than previously – bond prices are enjoying greater interest from investors. Abroad, we will get to see preliminary PMI data from Germany and the euro zone for June. In view of growing concerns about a global economic slowdown, we will look for answers as to whether such signals are already visible in the euro area.

**MPC's Ludwik Kotlecki** stated that the Council will not end rate hikes soon. In his view inflation may remain in double-digit space this year and next, so hikes should be continued to prevent the zloty from weakening.

**Fed chairman Jerome Powell** reiterated at the hearing before the US Senate Banking Committee that the central bank is determined to bring inflation down rapidly, but in a way that will not trigger a recession. At the same time, however, he indicated that a recession may happen, although the Fed is targeting a "soft landing" for the economy. He stressed that decisions on the scale of rate hikes will be made on an ongoing basis at each meeting, depending on incoming data, while at the same time he did not rule out 100bp moves. **Patrick Harker, currently a voting FOMC member**, stated that the Fed must quickly reach the neutral level of interest rates, which he sees at 2.5%. He noted that no decision has yet been made on whether the July hike will be 50 or 75 bps. Its scale will depend on whether the Fed's desired weakening of demand in the US economy is already visible at the time of the decision.

**ECB Vice President Luis de Guindos** said that the introduction of a new anti-fragmentation monetary policy instrument would allow for a more aggressive monetary policy aimed at bringing inflation down to the 2% target.

**Retail sales** advanced by 8.2% y/y in May, slightly below expectations. The decline from April's 19.0% y/y is mainly caused by the closures and reopening of shopping malls during the pandemic. Fuel sales seems to be advancing markedly slower than usually, which can be a result of very high fuel prices due to the war in Ukraine. We think that retail sales will be slightly slowing down in the later months of the year. In May Polish **construction output** growth increased from 9.3% y/y to 13.0% y/y while we and the market consensus had expected the surprising April weakness to hold. Despite this we continue to forecast slowdown in the sector amid supply and labour constraints and reduced demand for housing. Read more in our [Economic comment](#).

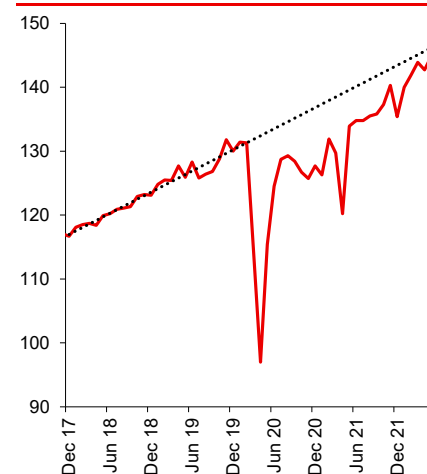
**EURUSD** remained in 1.05 – 1.06 range but moved slightly higher. Fed reminded that is going to fight inflation and quickly reach neutral interest policy level pointed at 2.5%, but the exchange rate market turned its attention to the remarks coming from the ECB, that a new anti-fragmentation instrument may give the central bank more space to fight inflation and support rate hikes in the Eurozone.

**EURPLN** increased to 4.70 from about 4.64. The zloty was losing ground due to decreasing domestic yields and expectations for rate hikes. Polish currency has not benefited also from the Fed chair remarks.

**Other CEE Currencies:** EURHUF rose from 394 to 398. EURCZK also climbed to 24.74 from 24.68, despite the fact that CNB raised rates by 125bp. Renewed fears about the economic impact of faster monetary tightening by the main central banks cast a shadow on the investment appetites towards the currencies of the region.

**On the interest rate market**, Wednesday was another day of significant strengthening of Polish government bonds. The local market fears that the monetary policy tightening in the USA and the Eurozone will lead to a quicker slowdown in Poland and lower terminal level of NBP rates.

Retail sales, seasonally adjusted, volume (2015=100) vs pre-covid trend



Source: 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 Luziński** +48 510 027 662  
**Grzegorz Ogonek** +48 609 224 857

### FX market

#### Today's opening

EURPLN	4.6946	CZKPLN	0.1894
USDPLN	4.4459	HUFPLN*	1.1835
EURUSD	1.0562	RUBPLN	0.0836
CHFPLN	4.6208	NOKPLN	0.4474
GBPPLN	5.4413	DKKPLN	0.6309
USDCNY	6.7058	SEKPLN	0.4394

\*for 100HUF

#### Last session in the FX market

22/06/2022

	min	max	open	close	fixing
EURPLN	4.639	4.702	4.641	4.695	4.659
USDPLN	4.416	4.467	4.421	4.435	4.434
EURUSD	1.047	1.061	1.050	1.058	-

### Interest rate market 22/06/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.73	-34
DS0726 (5Y)	7.64	-47
DS0432 (10Y)	7.21	-52

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8.08	-25	3.33	-8	1.00	-5
2L	7.93	-34	3.44	-15	1.74	-8
3L	7.64	-36	3.34	-18	1.96	-9
4L	7.40	-38	3.29	-15	2.09	-11
5L	7.24	-40	3.26	-13	2.18	-12
8L	7.06	-40	3.21	-12	2.34	-12
10L	7.02	-38	3.22	-12	2.43	-12

### WIBOR rates

Term	%	Change (bps)
O/N	5.78	-9
T/N	6.01	0
SW	6.13	2
2W	6.20	2
1M	6.49	5
3M	6.97	3
6M	7.24	3
1Y	7.41	3

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

Term	%	Change (bps)
1x4	7.52	-19
3x6	8.02	-29
6x9	8.21	-36
9x12	8.16	-41
3x9	8.26	-30
6x12	8.42	-35

### Measures of fiscal risk

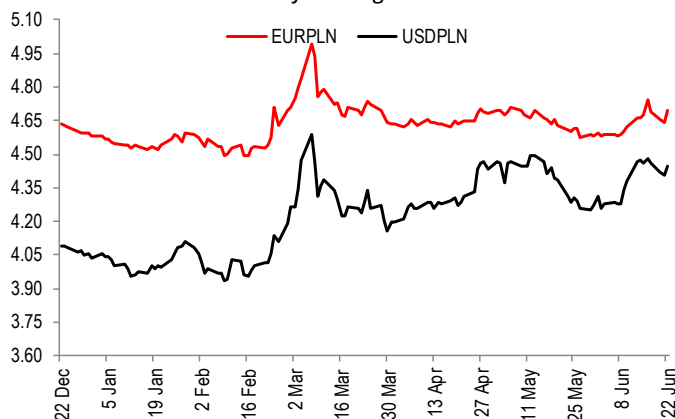
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	110	0	559	-38
France	10	0	54	-2
Hungary	154	0	684	-11
Spain	53	0	107	-2
Italy	60	3	201	-1
Portugal	40	0	105	0
Ireland	13	0	65	-2
Germany	9	1	-	-

\* 10Y treasury bonds over 10Y Bunds

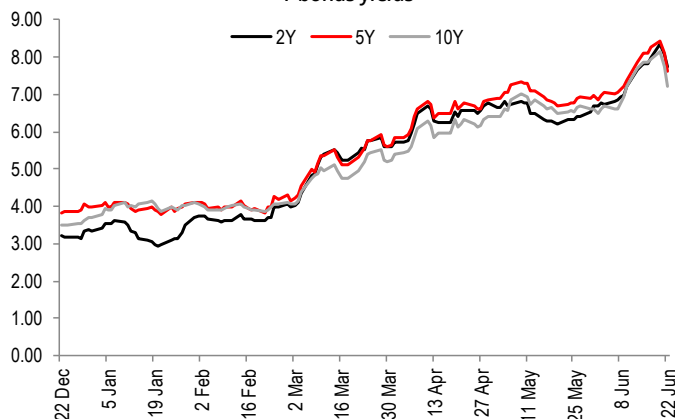
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

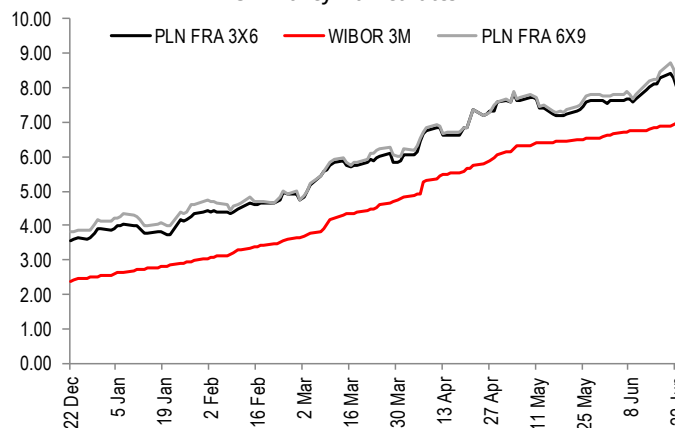
### Zloty exchange rate



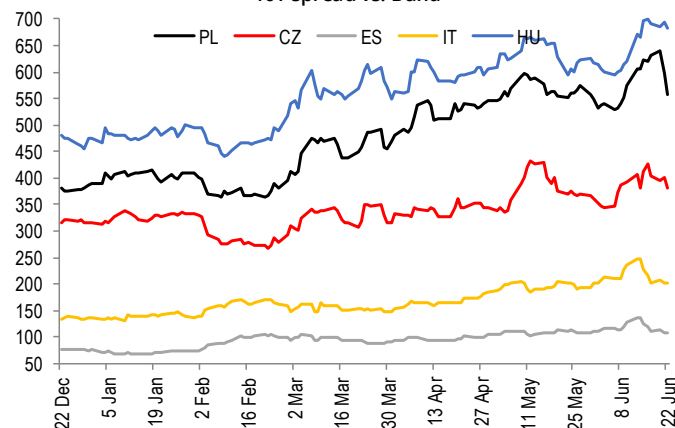
### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
<b>FRIDAY (17 Jun)</b>								
11:00	EZ	HICP	May	% y/y	8.1	-	8.1	8.1
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>May</b>	<b>% y/y</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>7.7</b>
15:15	US	Industrial Production	May	% m/m	0.4	-	0.2	1.4
<b>MONDAY (20 Jun)</b>								
	US	Market holiday						
<b>TUESDAY (21 Jun)</b>								
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>May</b>	<b>% y/y</b>	<b>2.6</b>	<b>2.6</b>	<b>2.4</b>	<b>2.8</b>
<b>10:00</b>	<b>PL</b>	<b>Sold Industrial Output</b>	<b>May</b>	<b>% y/y</b>	<b>16.7</b>	<b>17.3</b>	<b>15</b>	<b>13</b>
<b>10:00</b>	<b>PL</b>	<b>PPI</b>	<b>May</b>	<b>% y/y</b>	<b>24.7</b>	<b>24.8</b>	<b>24.7</b>	<b>23.3</b>
<b>10:00</b>	<b>PL</b>	<b>Average Gross Wages</b>	<b>May</b>	<b>% y/y</b>	<b>15.0</b>	<b>14.5</b>	<b>13.5</b>	<b>14.1</b>
16:00	US	Existing Home Sales	May	% m/m	-3.7	-	-3,4	-2.43
<b>WEDNESDAY (22 Jun)</b>								
<b>10:00</b>	<b>PL</b>	<b>Construction Output</b>	<b>May</b>	<b>% y/y</b>	<b>8.0</b>	<b>8.6</b>	<b>13</b>	<b>9.3</b>
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>May</b>	<b>% y/y</b>	<b>8.8</b>	<b>8.6</b>	<b>8.2</b>	<b>19</b>
14:30	CZ	Central Bank Rate Decision		%	6.88	-	7	5.75
<b>THURSDAY (23 Jun)</b>								
09:30	DE	Flash Manufacturing PMI	Jun	pts	54.0	-		54.8
09:30	DE	Flash Services PMI	Jun	pts	54.5	-		55
10:00	EZ	Flash Manufacturing PMI	Jun	pts	53.8	-		54.6
10:00	EZ	Flash Services PMI	Jun	pts	55.5	-		56.1
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>May</b>	<b>% y/y</b>	<b>8.2</b>	<b>7.8</b>		<b>8.2</b>
<b>FRIDAY (24 Jun)</b>								
10:00	DE	Ifo Business Climate	Jun	pts	92.7	-		93
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>May</b>	<b>%</b>	<b>5.1</b>	<b>5.1</b>		<b>5.2</b>
16:00	US	New Home Sales	May	% m/m	0.7	-		-16.6

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.