

28 June 2022

Eyeopener

Yields up again

Today forum in Sintra, new data from USA and MNB decision
 Domestic business climate indicator down
 Choppy EURPLN market, but the pair stayed in last week's range
 Rising expectations for rate hikes in Poland and on core markets

Today the Sintra conference continues. Central bank representatives' speeches will be complemented by this week's preliminary inflation data for June (Spain and Germany on Wednesday, France and the USA on Thursday, Italy and the euro area on Friday). In the US, we will get to see the Conference Board consumer sentiment gauge. After a rapid rebound in 1H2021, the index started to fall back towards the range in which it moved during the most disruptive pandemic period. The market expects another sharp decline in June and the arrival at the upper end of this range. Hungary's central bank decides on interest rates based on, among other things, a new projection of inflation and GDP. Market opinions are divided as to the scale of the rate hike (most expect a 50 or 100 bp move).

US durable goods orders turned out to be better than forecast, a solid result was also shown in the measure excluding military orders and in deliveries. It was also a positive surprise that there was no further big drop in the number of pending home sales (+0.7% m/m instead of the expected -3.9%) - the reading broke the ongoing series of monthly declines since October. In y/y terms, however, it still represented a decline of 12%.

Poland's economic sentiment indicator calculated by GUS fell to 95.4pts in June, its lowest reading since March 2021. It was the third consecutive reading below the 100-point level, which marks the long-term average. The index remained above the 100 mark from mid-2021 until February this year. At the same time, June was the first month when its component describing the economic situation in industry fell below 100 points (98.0 points). In contrast, the index for retail trade rose to its highest level since early 2018. (112.5 points), with such a high level mainly due to the shortages of goods that have persisted for a year and June's improvement being the result of a better assessment of current sales trends.

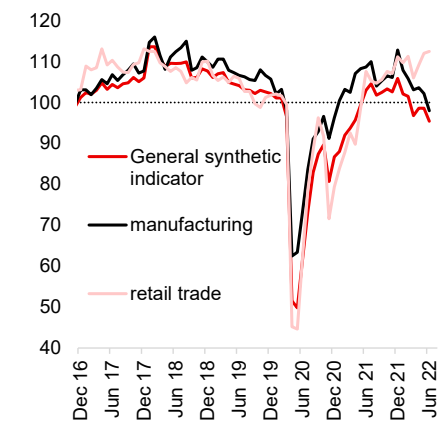
EURUSD moved from the vicinity of 1.055 closer to 1.06. Thanks to the lowering of US consumer inflation expectations, market fears about the recessionary effects of faster rate hikes by the Fed have fallen somewhat. On the other hand, concerns about possible fragmentation of the euro zone debt market were dampened by the ECB's signalled intensification of work on implementing a new instrument to address this issue, which is also indirectly expected to enable a larger scale of rate hikes in the euro zone. In such circumstances, the exchange rate remained relatively stable, with a slight indication for a stronger euro, due to the expected further increases in inflation indicators from the euro zone to be published this week and the expected confirmation of the maintenance of the hawkish stance of the ECB at the conference in Sintra.

EURPLN maintained 4.68 at the end of the session on Monday. Attempts to re-attack the 4.72 area during the session on the occasion of stronger-than-expected data on May durable goods orders from the US were quickly negated by again growing expectations for a rate hike. In this context, Friday's inflation data for June will be crucial for further fate of the zloty.

Other CEE currencies: **EURCZK** remained stable for another day, fluctuating around 24.72. **EURHUF** started Monday's session near 400 and it set a new historical peak at 405. At the end of the day the exchange rate went down to 402. Weakness of the forint is a result of an accumulation of unfavourable factors, related to a large current account deficit, too slow, in the market's opinion, increases of NBH rates, budget problems and the lack of agreement between the government and the European Commission on the issue of unblocking the Hungarian Recovery Funds.

Debt market: On Monday, the domestic yield curve rose by about 30bp, the IRS curve by about 20bp. The resumption of the upward move is related to the resurgence of expectations of further strong inflation growth, which may force the continuation of significant rate hikes in the country, and technical issues related to the unwinding of the sharp declines of recent days. Core market yields rose as well.

Business confidence indicators for Poland for selected sectors



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.6844	CZKPLN	0.1891
USDPLN	4.4266	HUFPLN*	1.1519
EURUSD	1.0580	RUBPLN	0.0829
CHFPLN	4.6291	NOKPLN	0.4527
GBPPLN	5.4298	DKKPLN	0.6293
USDCNY	6.6863	SEKPLN	0.4391

*for 100HUF

Last session in the FX market 27/06/2022

	min	max	open	close	fixing
EURPLN	4.673	4.711	4.688	4.687	4.697
USDPLN	4.414	4.457	4.435	4.421	4.437
EURUSD	1.055	1.061	1.056	1.060	-

Interest rate market 27/06/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.90	41
DS0726 (5Y)	7.69	36
DS0432 (10Y)	7.31	30

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8.12	17	3.32	4	0.89	5
2L	7.98	21	3.42	3	1.57	9
3L	7.66	22	3.34	3	1.79	12
4L	7.39	22	3.29	5	1.92	11
5L	7.23	21	3.27	6	2.03	12
8L	7.04	24	3.25	7	2.22	11
10L	6.98	22	3.26	6	2.33	10

WIBOR rates

Term	%	Change (bps)
O/N	5.80	-5
T/N	6.00	0
SW	6.13	1
2W	6.33	4
1M	6.56	3
3M	7.00	2
6M	7.30	2
1Y	7.46	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.66	10
3x6	8.04	16
6x9	8.21	17
9x12	8.21	22
3x9	8.30	16
6x12	8.48	25

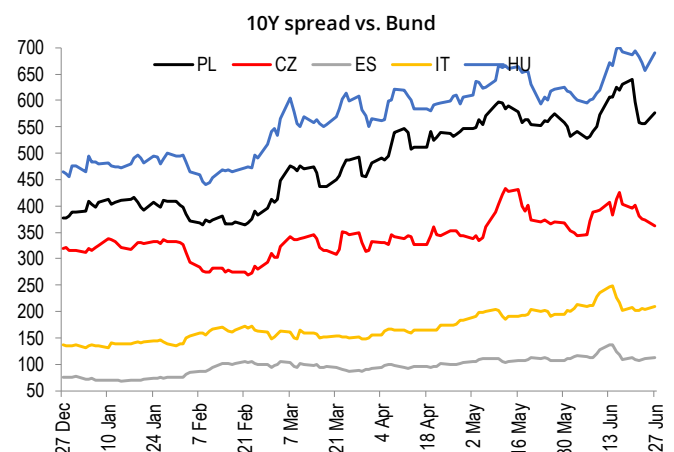
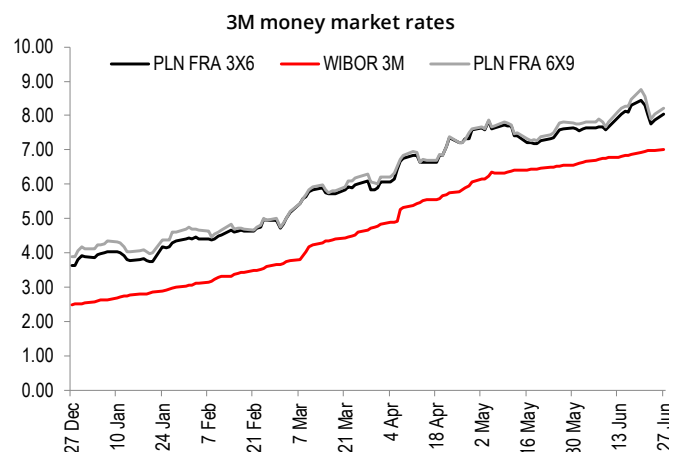
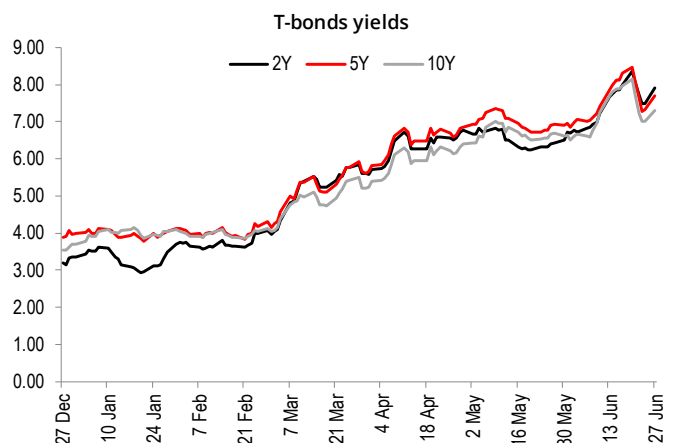
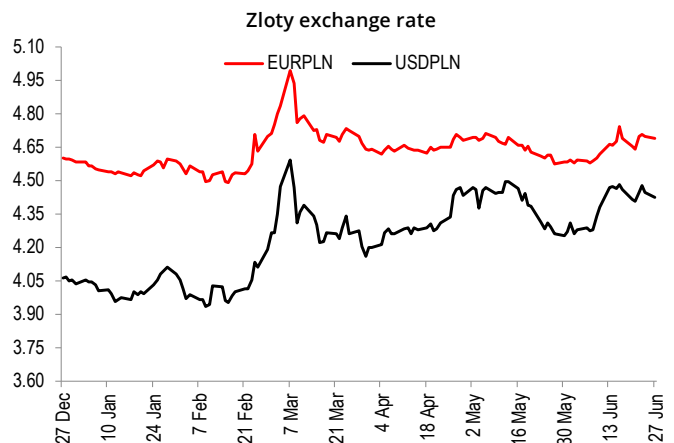
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	108	-2	577	20
France	12	0	54	0
Hungary	159	0	690	34
Spain	58	0	112	0
Italy	65	0	209	5
Portugal	45	0	110	1
Ireland	13	0	62	-2
Germany	10	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 (24 June)								
10:00	DE	IFO Business Climate	Jun	pts	92.75	-	92.9	93.0
10:00	PL	Unemployment Rate	May	%	5.1	5.1	5.1	5.2
16:00	US	Michigan index	Jun	pts	50.2	-	50.0	50.2
16:00	US	New Home Sales	May	% m/m	-0.2	-	10.7	-12.0
MONDAY (27 June)								
14:30	US	Durable Goods Orders	May	% m/m	0.1	-	0.7	0.4
16:00	US	Pending Home Sales	May	% m/m	-3.5	-	0.7	-4.0
TUESDAY (28 June)								
14:00	HU	Central Bank Rate Decision	Jun.22	%	-	-	-	5.9
16:00	US	Consumer Conference Board	Jun	pts	100.0	-	-	106.4
WEDNESDAY (29 June)								
11:00	EZ	ESI	Jun	pct.	103.0	-	-	105.0
14:00	DE	HICP	Jun	% y/y	8.7	-	-	8.7
14:30	US	GDP Annualized	1Q	% Q/Q	-1.4	-	-	-1.5
THURSDAY (30 June)								
09:00	CZ	GDP SA	1Q	% y/y	4.8	-	-	4.8
11:00	EZ	Unemployment Rate	May	%	6.8	-	-	6.8
14:30	US	Initial Jobless Claims		k	226.0	-	-	229.0
14:30	US	Personal Spending	May	% m/m	-	-	-	0.9
14:30	US	Personal Income	May	% m/m	-	-	-	0.4
14:30	US	PCE Deflator SA	May	% m/m	0.7	-	-	0.2
FRIDAY (1 July)								
09:00	PL	Poland Manufacturing PMI	Jun	pts	48.5	47.0	-	48.5
09:30	DE	Germany Manufacturing PMI		pts	52.0	-	-	52.0
10:00	EZ	Eurozone Manufacturing PMI		pts	52.0	-	-	52.0
10:00	PL	CPI	Jun	% y/y	15.6	15.5	-	13.9
11:00	EZ	Flash HICP	Jun	% y/y	8.3	-	-	8.1
16:00	US	ISM manufacturing	Jun	pts	55.4	-	-	56.1

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

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