

Eyeopener

June's CPI and PMI today

Today Polish flash CPI and manufacturing PMI in Poland

Also, inflation in the euro zone and ISM manufacturing will be released

Zloty weaker after comment of EU commissioner and balance of payments data

Yield of Polish bonds lower, 10Y below 7%

Today in the morning important data from Poland: flash CPI and manufacturing PMI for June. We expect another substantial CPI increase to 15.5% y/y (from 13.9% in May), supported not only by a strong rise in fuel prices (nearly 10% m/m) and still considerable, albeit weaker than in the previous months, food price growth (1.0% m/m), but also by strong inertia in other categories, resulting in core inflation rising well above 9% y/y. We think that Polish PMI will fall again (our forecast 47.0 pts), just like the indexes of other EU countries, announcing further deceleration in industrial activity. Also today, we will see inflation data in the euro zone and ISM manufacturing in the USA.

Yesterday, the **Swedish Riksbank** joined the group of central banks strongly concerned about the inflation development - it raised interest rates by 50 bp (it made the previous move in April, +25 bp) and announced that the tightening will continue and the scale of hikes may be increased even more.

MPC member Henryk Wnorowski said that interest rate hikes would continue as long as inflation goes up, but the scale of these hikes is a different story. In his opinion, inflation may be going up for a month or two, but it will not reach 18% y/y. The NBP vice-president Marta Kightley also spoke about the room for further rate hikes (due to the clear presence of the demand component in Polish inflation).

The **LFS unemployment rate** calculated for Poland by Eurostat (seasonally adjusted) amounted to 2.7% in May against 2.9% in the last months before the pandemic, so it is already a record low, as is the number of unemployed (460k).

Quarterly balance of payments showed much higher current account deficit in 4Q21 and 1Q22 than suggested by earlier data, by €06bn and €2.6bn, respectively. 1Q22 4Q current account deficit jumped to 2.7% of GDP from 2.2%. The biggest upward revision was applied to outward primary incomes (+EUR3.7bn in 1Q22) and this was the main culprit behind massive changes in current account. We are expecting CA deficit to widen further and hit 5% of GDP at the end of the year.

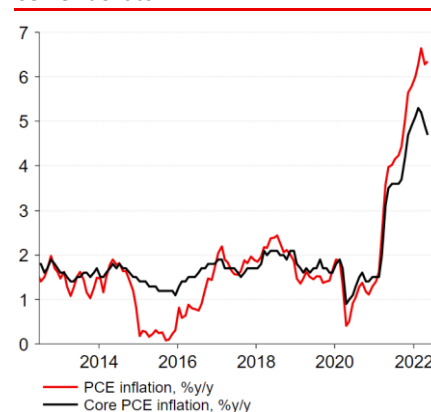
EURUSD fell to around 1.04. The further strengthening of the dollar was mostly the effect of recession fears globally and in Europe, which were also expressed during the Sintra forum in the previous days. The lower-than-expected reading of May US core PCE inflation and the rise of weekly initial jobless claims also decreased the global risk appetite. An unexpected signal appeared also in the German unemployment data which showed a 133k rise m/m, while a decline by 5k had been expected (the rise was likely caused by registrations of Ukrainians). The US data on May incomes and spending of consumer, corrected for inflation showed a drop by 0.1% m/m and 0.4% respectively. The exchange rate tried to decline to the year-to-date lows around 1.035, but at the end of the day pulled back above 1.04.

EURPLN rose from 4.67 to 4.70. Apart from the globally rising risk aversion, the value of the zloty was affected by the remarks of deputy EC president Vera Jourova who signalled that the Polish law on the Supreme Court does not meet the conditions that would allow the payments from the EU recovery fund. The EC spokesman Christian Wigand explained that while there is no official statement if the new law meets the milestones, the preliminary assessment by the Commission is negative. The negative factor for PLN was also the large revision of 1Q C/A data.

Other CEE currencies: strengthening of the dollar also undermined the Czech koruna and the Hungarian forint. EURCZK climbed to 24.75 from 24.73 and EURHUF to 397 from 393.

Debt market: Domestic bond yield and IRS curves saw strong declines on the longer end given worries about economic growth outlook. Polish 10Y yields fell by 20bp and were again below 7%. Given that the NBP signalled that the hiking cycle is coming to an end, even today's possibly high inflation reading for June can be not enough to lift the longer end, which is already markedly above the NBP reference rate. Core markets also saw significant yield declines on Thursday.

US PCE deflator



Source: Refinitiv Datastream, Santander

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FX market

Today's opening			
EURPLN	4.7045	CZKPLN	0.1898
USDPLN	4.5007	HUFPLN*	1.1725
EURUSD	1.0461	RUBPLN	0.0871
CHFPLN	4.7008	NOKPLN	0.4529
GBPPLN	5.4522	DKKPLN	0.6320
USDCNY	6.7071	SEKPLN	0.4373

*for 100HUF

Last session in the FX market						30/06/2022
	min	max	open	close	fixing	
EURPLN	4.646	4.708	4.664	4.702	4.681	
USDPLN	4.452	4.520	4.462	4.493	4.483	
EURUSD	1.038	1.048	1.045	1.047	-	

Interest rate market 30/06/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.65	-10
DS0726 (5Y)	7.36	-11
DS0432 (10Y)	6.94	-19

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8.14	-4	3.27	-6	0.79	-9
2L	7.85	-13	3.26	-12	1.36	-18
3L	7.43	-18	3.14	-12	1.54	-20
4L	7.11	-21	3.07	-13	1.70	-17
5L	6.90	-22	3.05	-12	1.78	-21
8L	6.65	-23	3.05	-9	2.02	-19
10L	6.63	-22	3.07	-8	2.16	-19

WIBOR rates

Term	%	Change (bps)
O/N	5.97	-6
T/N	6.21	12
SW	6.26	7
2W	6.45	3
1M	6.59	0
3M	7.05	0
6M	7.35	1
1Y	7.51	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.72	0
3x6	8.13	-4
6x9	8.26	-6
9x12	8.17	-9
3x9	8.37	-8
6x12	8.46	-8

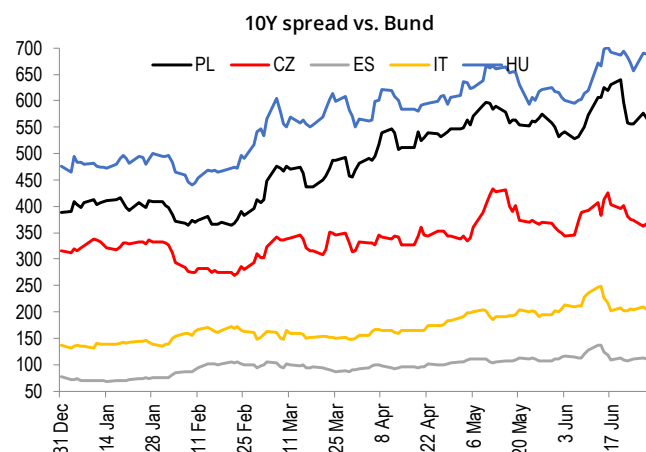
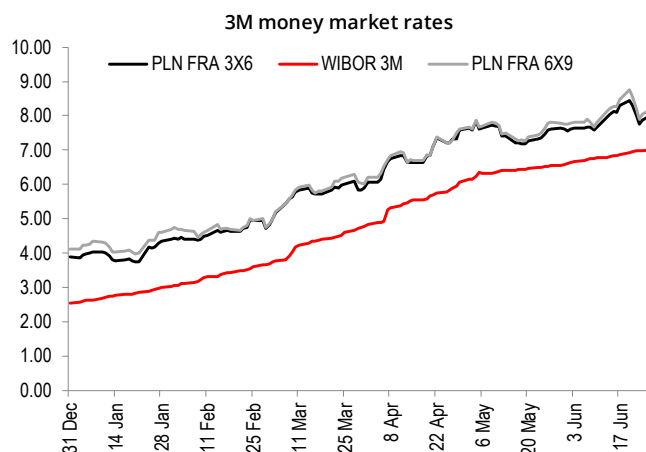
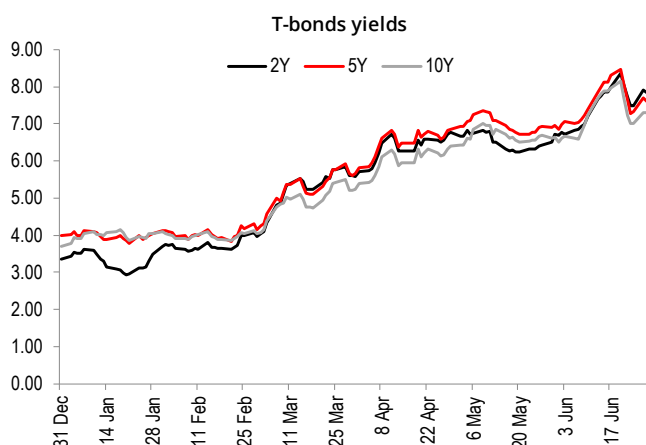
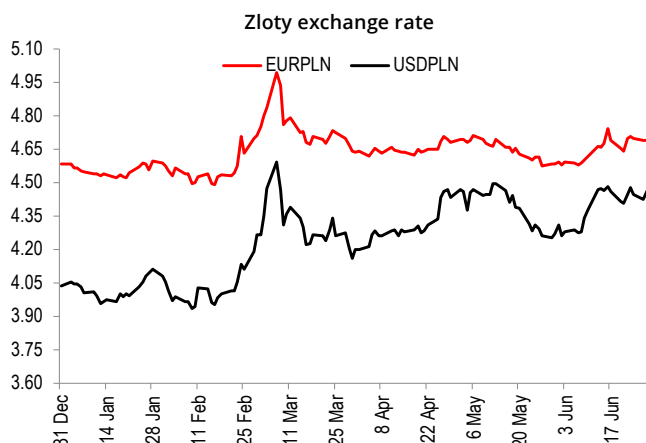
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	112	2	557	-5
France	12	0	59	4
Hungary	169	5	679	-9
Spain	56	0	109	1
Italy	63	3	203	4
Portugal	43	0	109	2
Ireland	13	0	64	-1
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	%	6.40	-	7.75	5.90
16:00	US	Consumer Conference Board	Jun	pts	100.0	-	98.7	106.4
WEDNESDAY (29 June)								
11:00	EZ	ESI	Jun	pct.	103.0	-	104.0	105.0
14:00	DE	HICP	Jun	% y/y	8.7	-	8.2	8.7
14:30	US	GDP Annualized	1Q	% Q/Q	-1.4	-	-1.6	-1.5
THURSDAY (30 June)								
09:00	CZ	GDP SA	1Q	% y/y	4.8	-	4.9	4.8
11:00	EZ	Unemployment Rate	May	%	6.8	-	6.6	6.7
14:30	US	Initial Jobless Claims		k	226	-	231	233
14:30	US	Personal Spending	May	% m/m	0.4	-	0.2	0.6
14:30	US	Personal Income	May	% m/m	0.5	-	0.5	0.5
14:30	US	PCE Deflator SA	May	% m/m	0.7	-	0.6	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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