

Eyeopener

Markets quiet during the US holiday

Today locally only BGK auction of Covid bonds
 Abroad service PMIs for June incl. Germany, Eurozone, US orders data
 EURPLN' again near 4.72, yield curve higher on the short end

Today in the domestic calendar there is only the BGK supply of papers for the Covid-19 Fund, the minimum supply is planned at PLN250mn. The auction may indirectly indicate investors' attitudes towards domestic debt given the current price and economic conditions. From abroad, we will get to see a series of PMIs in the service sector, including those from Germany and the euro area for June, as well as the state of US industrial and durable goods orders for May. The foreign data will provide an assessment of the extent of the slowdown in the world's major economic centres. Meanwhile, the Chinese services PMI released last night recorded a very strong rebound from recessionary into expansionary territory.

ECB's Fabio Panetta of the Bank of Italy (reputed to be one of the most dovish policymakers at the ECB) confirmed that the euro zone's negative deposit rate policy will come to an end in September but shied away from confirming that there will be a larger scale of increases than just 25bp in September. In his view, further rate rises after September, i.e. moving the deposit rate above 0%, will depend on upcoming data and the health of the economy. In his view, rising inflation does not reflect excessive demand, as both consumption and investment have not yet reached pre-pandemic levels, and wages are growing at only a moderate pace, much slower than in the run-up to the war in Ukraine.

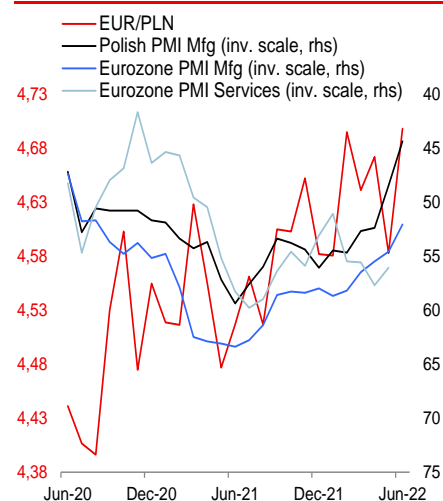
EURUSD is holding near the 1.04 level. The absence of US investors from the market yesterday due to the Independence Day holiday in the US had a stabilizing effect on the exchange rate. In the following days, however, we expect further gradual strengthening of the dollar, due to further signs of slowdown in the world's major economic centres.

EURPLN returned to the vicinity of the 4.72 level, which was attacked from below on Friday after a much weaker-than-expected reading of the Polish PMI index. The weakness of the zloty is a result of pressure from the global appreciation of the dollar and the weakening economy, which heightens market fears of an imminent end to the cycle of interest rate hikes in Poland amid continued high inflation.

Other CEE currencies: EURCZK fluctuated for another day in 24.73 - 24.75 zone. EURHUF started to move again towards historical peaks near 404 (this morning it has already broken above 403). Low market liquidity due to the absence of US investors is not working in favour of the Hungarian currency. European investors may be negative on the forint due to the Hungarian government's failure to reach an agreement with the EC regarding the unblocking of the recovery plan.

Debt market: Strong declines in yields on Friday and lower market liquidity created favourable circumstances for attempts to move the domestic yield curve higher. 10Y POLGB yields rose to 6.70% during Monday, but by the end of the day had returned below 6.60% again. Expectations of the NBP rate target were stable.

EUR/PLN against selected PMI indicators



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.7147	CZKPLN	0.1903
USDPLN	4.5194	HUFPLN*	1.1597
EURUSD	1.0433	RUBPLN	0.0822
CHFPLN	4.7035	NOKPLN	0.4594
GBPPLN	5.4741	DKKPLN	0.6337
USDCNY	6.6942	SEKPLN	0.4373

*for 100HUF

Last session in the FX market						04.07.2022
	min	max	open	close	fixing	
EURPLN	4.681	4.720	4.689	4.718	4.700	
USDPLN	4.486	4.530	4.497	4.519	4.503	
EURUSD	1.042	1.046	1.043	1.043	-	

Interest rate market 04.07.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.83	51
DS0726 (5Y)	6.99	7
DS0432 (10Y)	6.59	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.90	-2	3.24	3	0.78	9
2L	7.55	-1	3.13	3	1.35	13
3L	7.09	-1	2.99	5	1.53	13
4L	6.74	-1	2.98	10	1.66	12
5L	6.53	1	2.90	1	1.78	12
8L	6.29	2	2.92	1	2.03	12
10L	6.28	2	2.95	1	2.18	12

WIBOR rates

Term	%	Change (bps)
O/N	6.30	-10
T/N	6.44	2
SW	6.58	10
2W	6.65	9
1M	6.65	6
3M	7.08	3
6M	7.38	1
1Y	7.53	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.55	-4
3x6	7.89	-2
6x9	7.96	-3
9x12	7.77	-7
3x9	8.11	-5
6x12	8.14	-5

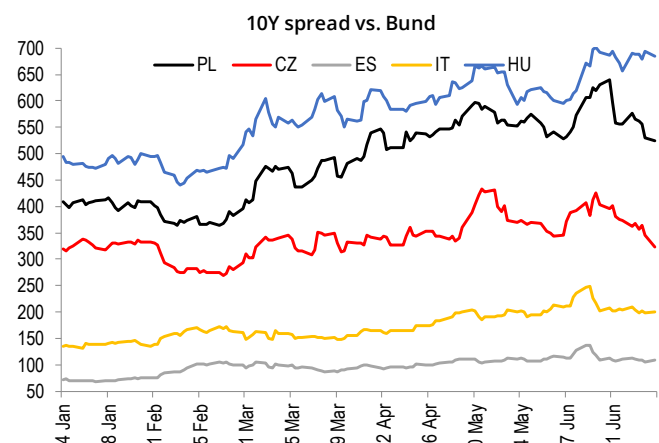
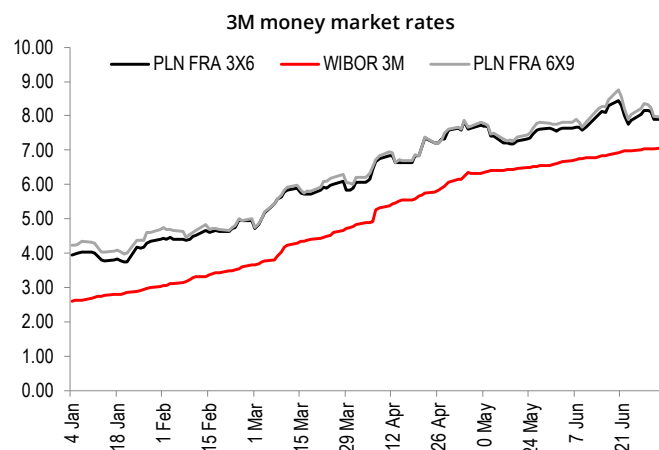
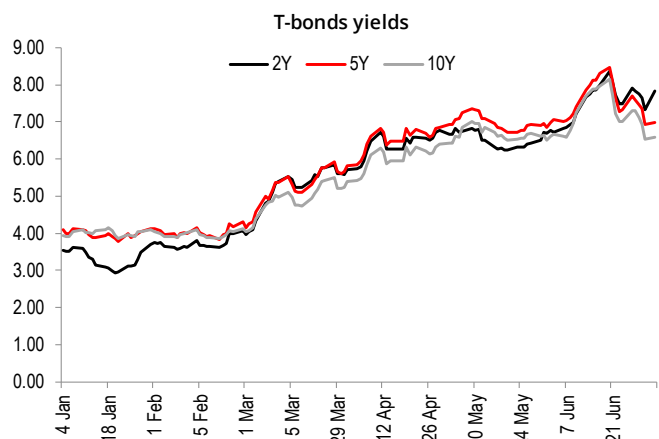
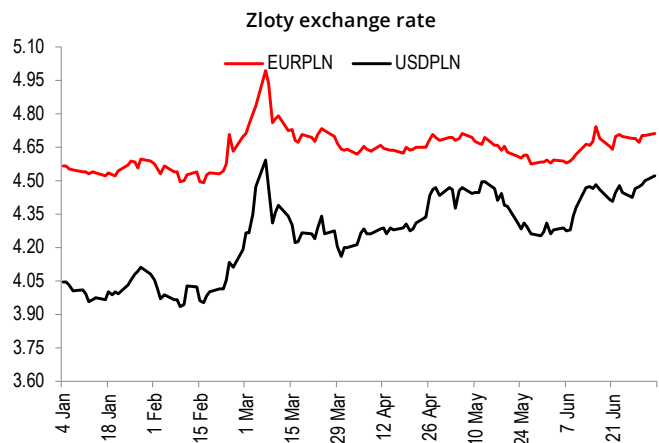
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	112	0	525	-6
France	12	0	59	2
Hungary	167	0	684	-10
Spain	55	0	108	3
Italy	63	2	201	3
Portugal	43	0	108	3
Ireland	13	0	63	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 (1 July)								
09:00	PL	Poland Manufacturing PMI	Jun	pts	48.0	47.0	44.4	48.5
09:55	DE	Germany Manufacturing PMI	Jun	pts	52.0	-	52.0	54.8
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	52.0	-	52.1	54.6
10:00	PL	CPI	Jun	% y/y	15.5	-	15.6	13.9
11:00	EZ	Flash HICP	Jun	% y/y	8.5	-	8.6	8.1
16:00	US	ISM manufacturing	Jun	pts	54.5	-	-	56.1
MONDAY (4 July)								
08:00	DE	Exports SA	May	% m/m	0.7	-	-0.5	4.4
TUESDAY (5 July)								
03:45	CN	Caixin China PMI Services	Jun	pts	49.0	-	54.5	41.4
09:55	DE	Markit Germany Services PMI	Jun	pts	52.4	-	-	55.0
10:00	EZ	Eurozone Services PMI	Jun	pts	52.8	-	-	56.1
16:00	US	Durable Goods Orders	May	% m/m	0.7	-	-	0.4
16:00	US	Factory Orders	May	% m/m	0.5	-	-	0.3
WEDNESDAY (6 July)								
08:00	DE	Factory Orders	May	% m/m	-0.5	-	-	-2.7
09:00	HU	Industrial Production SA	May	% y/y	2.6	-	-	4.7
11:00	EZ	Retail Sales	May	% m/m	0.4	-	-	-1.3
16:00	US	ISM services	Jun	pts	54.5	-	-	55.9
20:00	US	FOMC Meeting Minutes	Jun.22					
THURSDAY (7 July)								
	PL	MPC decision		%	6.75	6.75	-	6.00
08:00	DE	Industrial Production SA	May	% m/m	0.3	-	-	0.7
09:00	CZ	Industrial Production	May	% y/y	2.5	-	-	-6.4
14:30	US	Initial Jobless Claims		k	230	-	-	231
FRIDAY (8 July)								
09:00	HU	CPI	Jun	% y/y	11.6	-	-	10.7
14:30	US	Change in Nonfarm Payrolls	Jun	k	275	-	-	390
14:30	US	Unemployment Rate	Jun	%	3.6	-	-	3.6

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

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