

13 June 2023

# Eyeopener

## Balance of payments surplus expected again

Today, April's balance of payments in Poland, German and US CPI, German ZEW  
EURPLN entered a wait-and-see mode  
Local bonds avoiding losses after budget amendment announcement

**Today** in the morning data released in Germany confirmed that CPI inflation fell in May to 6.1% y/y from 7.2% and HICP inflation to 6.3% y/y from 7.6%. In a few hours' time we will get to see, the June ZEW business climate index for Germany - this measure aggregating the expectations of analysts and financial market participants had been above zero from January to April, but returned to negative in May and, according to the market, could go even lower today. Between today and Friday, the Sejm session continues, where, in theory, members of the commission for the investigation of Russian influence should be selected and the work on the presidential amendment to the law on this commission is expected to start. The government, in turn, will discuss the assumptions for next year's budget at this week's meeting. At 14:00CET, Poland's balance of payments data for April will be released: while the current account balance for January and February surprised strongly to the upside, the surplus in March - although still sizeable - turned out to be lower than expected. After April, we expect a surplus of €1.5bn, with the market consensus being slightly higher. The current account balance can return to small deficits in the second half of the year after domestic demand recovers.

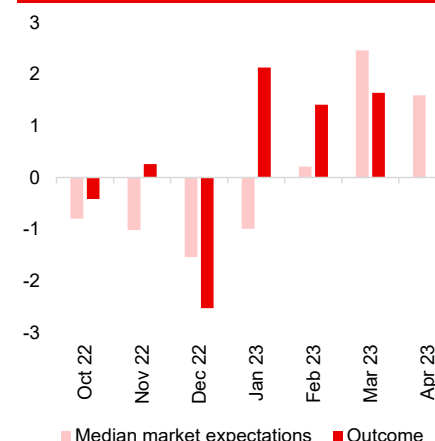
In the afternoon, the **US CPI inflation** data for May will be released, which according to the market consensus fell to 4.1% y/y from 4.9%, with core inflation down to 5.2% y/y from 5.5%. We assume that if there is any surprise in this data it would be more on the side of higher core inflation, which for the markets and the FOMC (rate decision on Wednesday evening) will serve as a reminder of the persistence of inflation. The decision itself will not change in our view, the Fed has made it clear that it wants to take a pause in the series of rate hikes, but this does not mean that it is abandoning the thinking in further policy tightening. We are biased towards a rather hawkish tone, but much will also depend on the new macroeconomic forecasts shown at this meeting.

**EURUSD** slipped slightly yesterday session to around 1.074, but is back around 1.079 today with a slight drop in US 2-year yields and possible positioning for a further drop in inflation and a pause from the Fed.

After Friday's strengthening of the zloty, the **EURPLN** stabilised near 4.44 and the USDPLN was close to 4.13. The Hungarian forint behaved similarly, i.e. after a slightly stronger opening lost some value during the day. The Czech koruna was the weakest currency in the region and lost c.0.4% vs the euro and was not helped by the deceleration of the downward trend in the rate market after slightly higher-than-forecast May inflation, which may be due to the fact that the fall in inflation is still faster than the CNB assumed in its spring projection and allows for a weaker koruna. After the EURHUF gradually slipped below this year's lows, the forint lost its appreciation momentum and weakened yesterday, which may have been fueled by suggestions from the Economy Minister M. Nagy about raising the inflation target. In the case of the zloty, on the other hand, investors seem to be ignoring most of the risks. Zloty and forint are supported by still high interest rates and low volatility in global markets. In the short term, the zloty may be hurt by Thursday's CJEU ruling, while the very fact that this factor has not limited the scale of the recent appreciation suggests that the market is now focusing on other factors. In the longer term, the gradual worsening in the current account, the narrowing of Poland's interest rate differential vis-à-vis the euro area or the approaching parliamentary elections should contribute to the weakening of the zloty. In the case of the forint, a weakening against the euro is possible as the MNB goes ahead with rate cuts. Some weakening of the Czech koruna is in line with the CNB's projection.

In the **domestic interest rate market**, there was a further slight decline in FRA and IRS rates with a slight increase in bond yields. As a result, asset swap spreads rose again by a few basis points, with cumulative increase of around 15 bps for the 5-year tenor and 20 bps for the 10-year since the beginning of June. A bond auction is scheduled for Friday and given that demand for bonds was not very high already in May, when a lot of coupon payments came to the market, this month the situation may be even less favourable amid lack of flows from redemptions. We also think that the increase in short-term rates in the euro after the ECB may also affect the domestic market. Today, underlying markets will most likely look out for a deceleration in US inflation.

Monthly C/A balance of Poland, €bn



Source: Bloomberg, Santander

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## FX market

### Today's opening

EURPLN	4.4494	CZKPLN	0.1866
USDPLN	4.1215	HUFPLN*	1.1926
EURUSD	1.0793	RUBPLN	0.0496
CHFPLN	4.5470	NOKPLN	0.3823
GBPPLN	5.1695	DKKPLN	0.5942
USDCNY	7.1546	SEKPLN	0.3821

\*for 100HUF

### Last session in the FX market 12/06/2023

	min	max	open	close	fixing
EURPLN	4.4295	4.4473	4.4428	4.4441	4.4366
USDPLN	4.1055	4.1370	4.1343	4.1367	4.1169
EURUSD	1.0739	1.0790	1.0740	1.0746	-

## Interest rate market 12/06/2023

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.91	-2
WS0428 (5Y)	5.77	4
DS1033 (10Y)	5.93	2

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	6.48	5.42	3.76
2L	5.91	4.77	3.57
3L	5.46	4.34	3.33
4L	5.22	4.08	3.17
5L	5.13	3.93	3.08
8L	5.11	3.77	2.98
10L	5.17	3.74	2.98

## WIBOR rates

Term	%	Change (bps)
O/N	6.68	-9
T/N	6.79	-1
SW	6.83	-1
2W	6.84	0
1M	6.86	-1
3M	6.90	0
6M	6.95	0
1Y	7.02	-1

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

Term	%	Change (bps)
1x4	6.82	0
3x6	6.61	2
6x9	6.10	1
9x12	5.67	-1
3x9	6.63	6
6x12	6.07	2

## Measures of fiscal risk

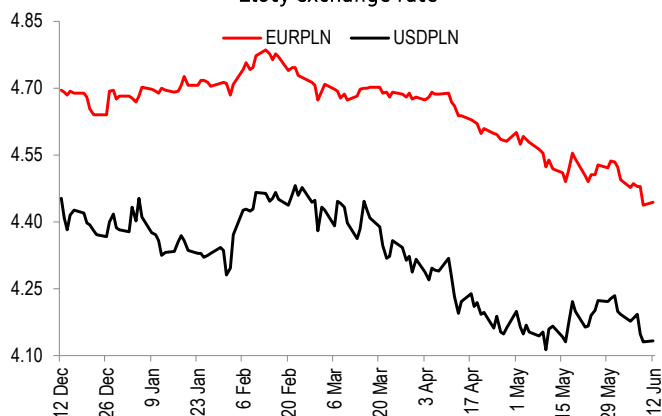
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	78	355
France	14	53
Hungary	172	485
Spain	50	95
Italy	39	168
Portugal	38	69
Ireland	18	37
Germany	11	-

\* 10Y treasury bonds over 10Y Bunds

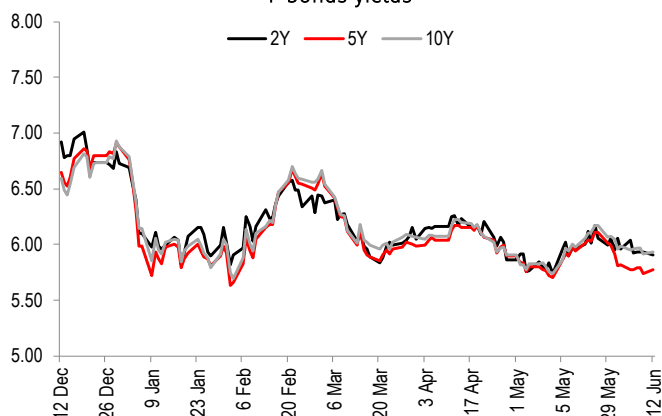
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

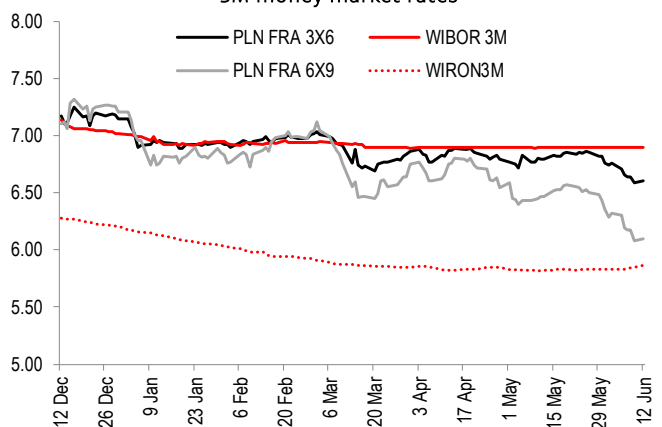
## Zloty exchange rate



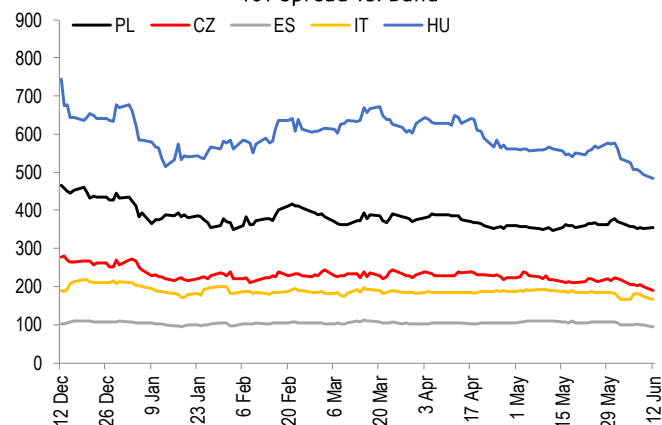
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (9 June)								
No key data releases								
MONDAY (12 June)								
09:00	CZ	CPI	May	% y/y	10.8	-	11.1	12.7
TUESDAY (13 June)								
08:00	DE	HICP	May	% m/m	-0.1	-	-0.1	0.6
11:00	DE	ZEW Survey Current Situation	Jun	pts	-40.0	-		-34.8
14:00	PL	Current Account Balance	Apr	€mn	1600	1545		1643
14:00	PL	Trade Balance	Apr	€mn	1434	1487		608
14:00	PL	Exports	Apr	€mn	27788	27475		30012
14:00	PL	Imports	Apr	€mn	26020	25988		29404
14:30	US	CPI	May	% m/m	0.2	-		0.4
WEDNESDAY (14 June)								
11:00	EZ	Industrial Production SA	Apr	% m/m	0.8	-		-4.1
20:00	US	FOMC decision	Jun.23		5.25	-		5.25
THURSDAY (15 June)								
9:30	PL	CJEU ruling	May	mn PLN				
10:00	PL	CPI	May	% y/y	13.0	13.0		14.7
14:15	EZ	ECB Main Refinancing Rate	Jun.23	%	4.00	4.00		3.75
14:30	US	Initial Jobless Claims	Jun.23	k	250	-		261
14:30	US	Retail Sales Advance	May	% m/m	0.0	-		0.4
15:15	US	Industrial Production	May	% m/m	0.1	-		0.5
FRIDAY (16 June)								
11:00	EZ	HICP	May	% y/y	6.1	-		7.0
14:00	PL	CPI Core	May	% y/y	11.5	11.4		12.2
16:00	US	Michigan index	Jun	pts	60.0	-		59.2

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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