

Weekly Economic Update

Silly season

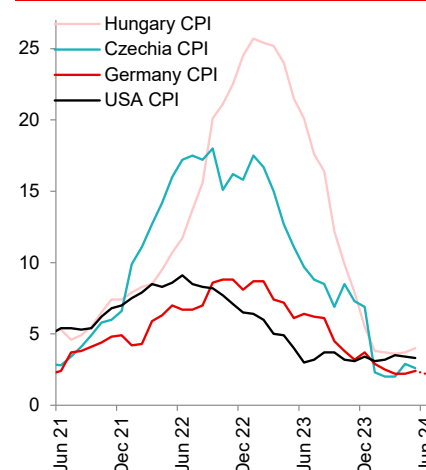
Economy next week

- In terms of economic news and data releases, the next week will be almost empty. There is a complete lack of significant economic data and events in Poland, and very little abroad: there will be **inflation data in Hungary, Czechia, Germany and USA**, data on German exports, Michigan consumer confidence survey.
- In the middle of the week the Fed governor J.Powell will give a semi-annual testimony on monetary policy at the Senate Banking Committee and the House Financial Services committee. Also, the season of quarterly financial reports publications by US companies begins.
- The week will start once again with the analysis of **the results of the elections in France** - the outcome of the second round will ultimately determine the distribution of seats in the parliament and will help to answer who will take over the seat of the prime minister. As a result of agreements between the parties, around 200 candidates who could have run in the second round from third place have been withdrawn, which should reduce the chances of the right-wing National Rally (RN) gaining an independent majority in parliament. The latest estimates of analytical centers suggest that the RN has a chance to win up to 240 seats compared to the 289 required to have an absolute majority. However, it may still be the largest party in parliament, and theoretically in such a situation, the president should entrust its leader with the mission of forming a government. The RN president, Jordan Bardella, had previously suggested that he would take on this task only if the party had an independent majority. The base case scenario is therefore a minority government centered around moderate parties, which would probably be perceived positively by the markets - as evidenced by, among other things, their behavior in recent days.

Markets next week

- The upward move on EURUSD has supported the zloty and the forint in recent days, and it is possible that this move will continue, as long as market uncertainty decreases after the second round of elections in France. The dollar may also be negatively affected by weaker data from the US labor market. The hawkish tone of the NBP Governor may still have a positive effect on the zloty, which may be joined after the weekend by statements from other MPC members representing the majority. Ludwik Kotecki's comment about the possible room for rate cuts in early 2025 should not have a major impact on sentiment until it is supported by other similar voices from the MPC. **We see the potential for EURPLN to go down to around 4.25 in the coming days**, unless the news from France after the weekend raises the general risk aversion again.
- The focus of attention in international markets in the coming week will be inflation data in the US and the CEE region, which may show a further inflation slowdown. Also of note will be the Michigan consumer sentiment index, which could show a further decline. Such a set of data would dovetail with the recent weaker economic readings from the US and would favour declines in yields in the core markets. **In Poland, after a sizable upward bounce in market rates, the impulse from foreign markets would create the potential for a downward move.**

Inflation in selected countries, % y/y

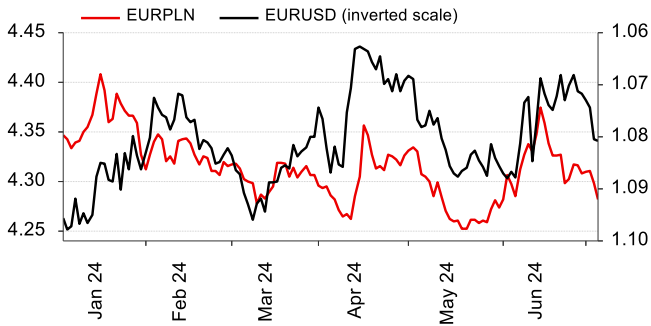


In case of Germany, flash print for June has been released
Source: Bloomberg, Santander

Economic Analysis Department:

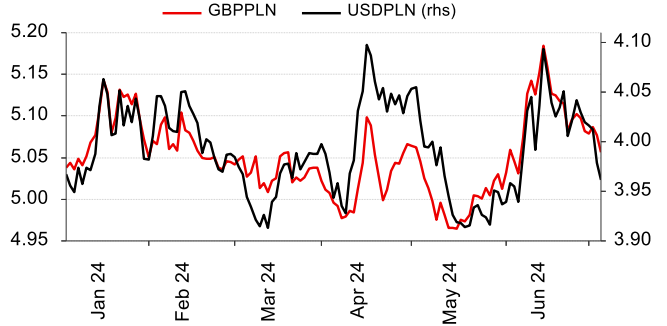
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EURPLN and EURUSD



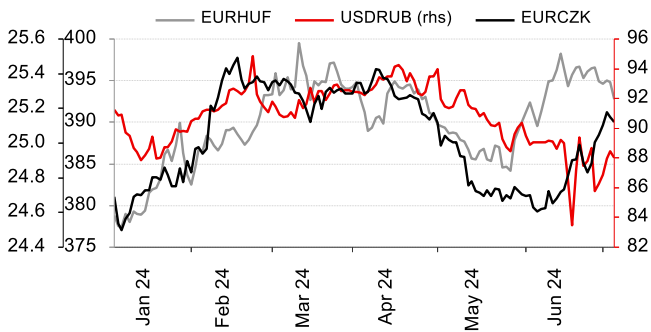
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



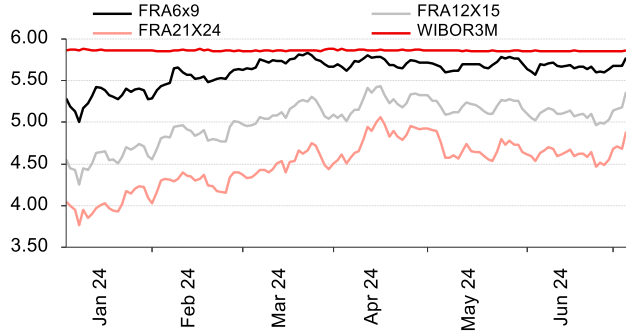
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



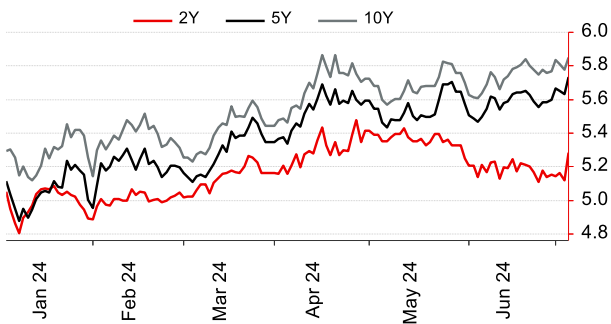
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



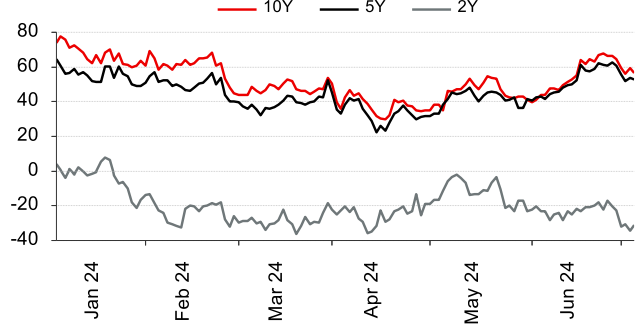
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



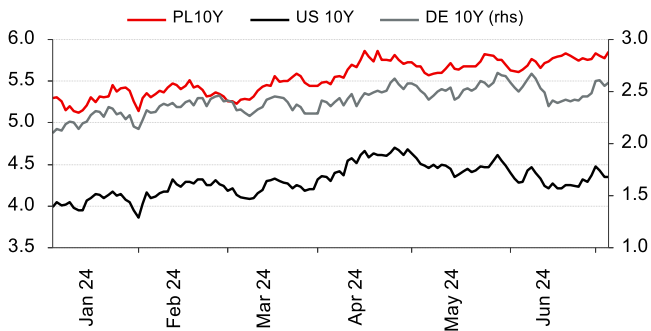
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



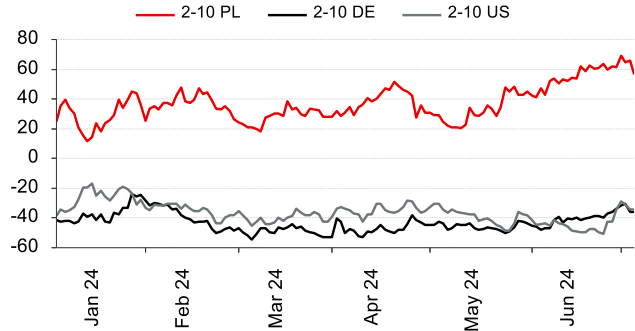
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (8 July)							
08:00	DE	Exports SA	May	% m/m	-2.5	-	1.6
09:00	CZ	Industrial Production	May	% y/y	-1.2	-	9.0
TUESDAY (9 July)							
08:30	HU	CPI	Jun	% y/y	3.9	-	4.0
WEDNESDAY (10 July)							
09:00	CZ	CPI	Jun	% y/y	2.4	-	2.6
THURSDAY (11 July)							
08:00	DE	HICP	Jun	% y/y	2.5	-	2.8
14:30	US	CPI	Jun	% y/y	3.1	-	3.3
14:30	US	Initial Jobless Claims		k	-	-	238
FRIDAY (12 July)							
16:00	US	Michigan index	Jul	pts	67.0	-	68.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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