



Poland Daily

POL: On Thursday the MPC surprised market participants cutting the main reference rate by 40 bps to 0.10%, cutting Lombard rate by 50bps to 0.50%, re-discount rate by 44bps to 0.11% and discount rate by 48bps to 0.12%. Deposit rate was unchanged at 0%. Main reasons for rate cut quoted by the MPC were (1) a risk of decline of inflation to below inflation target due to deflationary impulse that stemmed from covid-19 related economic lock-downs and (2) facilitation of economic recover after the end of the pandemic. The NBP informed that it would continue purchases of government bonds and bonds with State Treasury guarantees.

POL: In May, according to flash GUS data, consumer prices fell by 0.2% m/m and rose by 2.9% y/y versus 3.4% y/y in April. Annual inflation declined, in line with our expectations.

POL: Final real GDP growth was 2.0% y/y (versus first estimate of 1.9% y/y) and -0.4% q/q (versus initial estimate of -0.5%). In Q1 real growth in personal consumption was 1.2% y/y, public consumption grew by 4.3% y/y and fixed investments grew by 0.9% y/y. In Q1 net exports contributed 0.4 percentage points to GDP growth.

THE DAY AHEAD...

POL: GDP (Q1), inflation (May, P)

FRA: GDP (Q1)

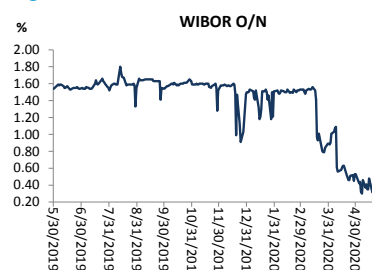
EMU: inflation (May, P)

USA: Consumer sentiment (May)

TODAY'S FOCUS:

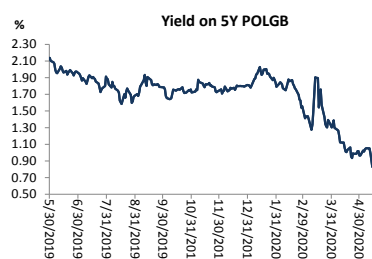
Today economic calendar contains on a domestic side final GDP for Q1 and preliminary inflation for May.

Figure 1: WIBOR O/N



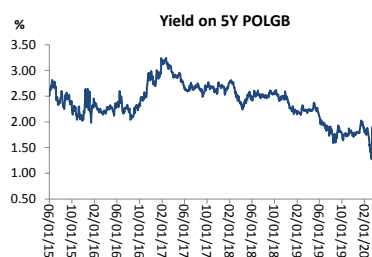
Source: Bloomberg

Figure 2: Yield on 5Y POLGB



Source: Bloomberg

Figure 3: Yield on 5Y POLGB – long term trend



Source: Bloomberg

DIARY (Today)

Country	GMT	Release	DB Expected	Actual	Consensus
FRA	6:45	GDP (Q1)		-5.3% (-5.0%)	-5.8% (-5.4%)
POL	8:00	GDP (Q1)	-0.5% (1.9%)	-0.4% (2.0%)	-0.5% (1.9%)
POL	8:00	Inflation (May, P)	-0.3% (2.9%)	-0.2% (2.9%)	-0.3% (3.0%)
EMU	9:00	Inflation (May, P)		-0.1% (0.1%)	-0.1% (0.1%)
USA	12:30	Consumer Sentiment (May)	73.4		74.0



Foreign Exchange

Today in the morning the zloty firmed by 0.4% versus the USD and was 0.6% weaker versus the EUR compared to the previous NBP fixing. After the rate cut the zloty weakened by 0.7% versus the EUR compared to the level prevailing before MPC decision. The zloty should be moving within a range of PLN4.4350-4.4700 per EUR.

The USD weakened by 1.0% versus the EUR before press conference of President Trump on Hong-Kong.

Fixed Income

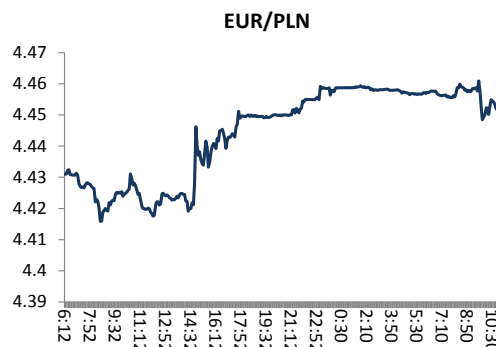
After rate cut the yields on Poland's government bonds were 33bps down in 2-year sector and fell by 27bps and 21bps respectively in 5-year and 10-year sectors.

Interest Rates

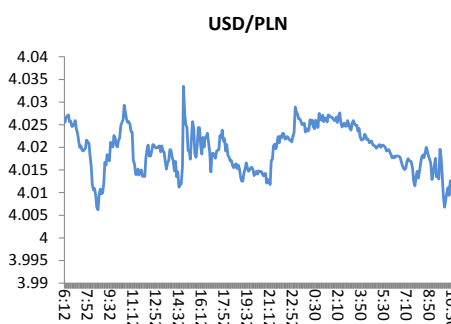
Today the O/N bid rate should be within a range of 0.00%-0.05%. Swap rates were 15-20bps down in all tenors as the MPC cut interest rates.

Equities

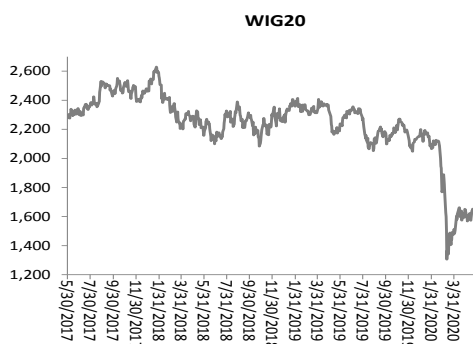
Yesterday the Dow Jones index closed 0.58% down and the S&P 500 index was 0.21% down. Today in the morning the FTSE 100 index was 1.10% down, the CAC 40 index was 1.31% down and the DAX index was 1.57% down. The Nikkei index decreased by 0.18%. Today in the morning the WIG index was 0.50% down and the WIG20 index was 0.57% down.



Source: Bloomberg

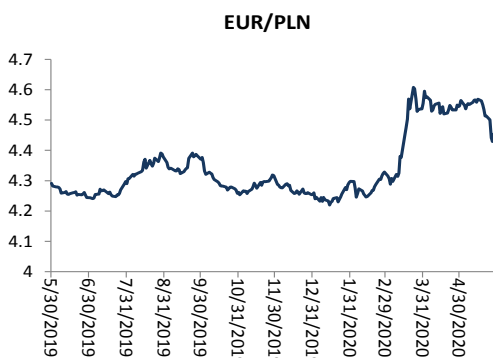


Source: Bloomberg

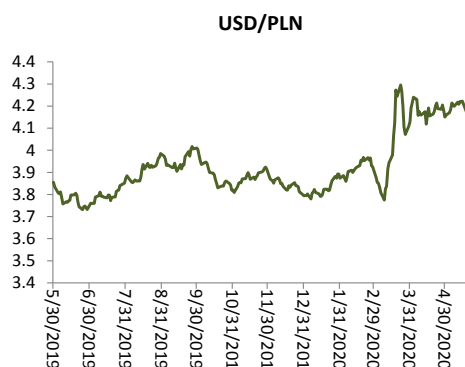


Source: Bloomberg

Medium term FX trends:



Source: Bloomberg



Source: Bloomberg



Appendix 1

Important Disclosures

Additional information available upon request

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